

PUBLIC ACCOUNTS COMMITTEE **(1966-67)**

SIXTY-EIGHTH REPORT

(THIRD LOK SABHA)

[Appropriation Accounts (Civil), 1964-65, Finance Accounts, 1964-65 and Audit Report (Civil), 1966 relating to the Ministries of Finance, Health and Family Planning, Information & Broadcasting, Iron & Steel and Supply, Technical Development and Materials Planning etc.]



LOK SABHA SECRETARIAT
NEW DELHI

January, 1967
Magha, 1888 (Saka)
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(Laid on the Table of the Fourth Lok Sabha on 28.2.1967)

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II. Minutes of the sittings of the Sub-Committee of the P.A.C. held on:—

the 25th October, 1966 (AN),
the 14th November, 1966 (FN), and
the 16th November, 1966 (FN).

*Not printed. (One cyclostyled copy laid on the Table of the House and five copies placed in the Parliament Library.)

PUBLIC ACCOUNTS COMMITTEE
(1966-67)

CHAIRMAN

Shri R. R. Morarka

MEMBERS

- 2. Sardar Buta Singh**
- 3. Shri B. L. Chandak**
- 4. Shri Ram Dhani Das**
- 5. Shri Shivajirao S. Deshmukh**
- 6. Shri Cherian J. Kappen**
- 7. Shri M. R. Krishna**
- 8. Shri B. P. Maurya**
- 9. Shri Man Sinh P. Patel**
- *10. Shri G. Yallamanda Reddy**
- 11. Shri Prakash Vir Shastri**
- 12. Shri Sheo Narain**
- 13. Shri S. T. Singh**
- 14. Shri Ku. Sivapraghassan**
- 15. Shri U. M. Trivedi**
- 16. Shrimati Devaki Gopidas**
- 17. Shri P. K. Kumaran**
- 18. Shri Om Mehta**
- 19. Shri Gaure Murahari**
- 20. Shri M. C. Shah**
- 21. Shri B. K. P. Sinha**
- 22. Col. B. H. Zaidi.**

SECRETARIAT

Shri N. N. Mallya—Joint Secretary.

Shri H. N. Trivedi—Deputy Secretary.

Shri R. M. Bhargava—Under Secretary.

*Resigned his seat in Lok Sabha with effect from the afternoon of 29-11-66.

INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorized by the Committee, do present on their behalf this Sixty-eighth Report on Appropriation Accounts (Civil), 1964-65, Finance Accounts, 1964-65 and Audit Report (Civil), 1966 relating to the Ministries of Finance, Health and Family Planning, Information & Broadcasting, Iron & Steel and Supply, Technical Development & Materials Planning etc.

2. The Appropriation Accounts (Civil), 1964-65 and the Audit Report (Civil), 1966 were laid on the Table of the House on the 15th March, 1966. The Finance Accounts, 1964-65 were laid on the Table of the House on the 10th May, 1966.

3. The Committee examined these at their sittings held on the 23rd July, 1966 (FN), 26th August, 1966, 27th August, 1966 (FN & AN), and 17th December, 1966.

4. The Committee at their sitting held on the 22nd July, 1966 decided to appoint a Sub-Committee consisting of the following members to consider in detail paras 136 (i) and 136 (ii) of Audit Report (Civil), 1966 relating to the Ministries of Health & Family Planning and Information & Broadcasting respectively:—

1. Shri R. R. Morarka—*Chairman*.

2. Shri B. P. Maurya

3. Shri Prakash Vir Shastri

4. Shri Man Sinh P. Patel

5. Shri Sheo Narain

6. Shri Ku. Sivapraghassan

7. Shri P. K. Kumaran

8. Shri Gaure Murahari

9. Col. B. H. Zaidi

} *Members.*

5. The Sub-Committee considered these paras in detail at their sittings held on the 14th and 16th November, 1966.

6. The Committee at their sitting held on the 27th August, 1966 decided to appoint another Sub-Committee consisting of the following members to consider in detail para 124 of Audit Report (Civil), 1966 relating to the Department of Supply & Technical Development:—

1. Shri R. R. Morarka—*Chairman*.

2. Sardar Buta Singh

3. Shri Ram Dhani Das

4. Shri Shivajirao S. Deshmukh

5. Shri Cherian J. Kappen

6. Shri Man Sinh P. Patel

7. Shri Prakash Vir Shastri

8. Shri Om Mehta

9. Shri M. C. Shah

} *Members.*

7. The Sub-Committee considered the para in detail at their sitting held on the 25th October, 1966.

8. The minutes of each sitting of the Committee/Sub-Committee have been maintained and form part of the Report (Part II).*

9. The Committee considered and finalised the Report at their sitting held on the 27th January, 1967.

10. A statement showing the summary of the main conclusions/recommendations of the Committee is appended to the Report (Appendix XXIII). For facility of reference these have been printed in thick type in the body of the Report.

11. The Committee place on record their appreciation of the assistance rendered to them in their examination of these accounts by the Comptroller & Auditor General of India.

They would also like to express their thanks to the officers of the Ministries etc. concerned, for the co-operation extended by them in giving information to the Committee during the course of evidence.

NEW DELHI;

January 28, 1967.

Magha 8, 1888 (Saka)

R. R. MORARKA,

Chairman,

Public Accounts Committee.

*Not printed. (One cyclostyled copy laid on the Table of the House and five copies placed in Parliament Library.)

I

MINISTRY OF FINANCE

Audit Report (Civil), 1966

Variations between budget estimates and actual expenditure—Paras 2 & 5.

1.1. The following table compares the expenditure on Revenue Account during 1964-65 under broad headings with the provisions of funds made thereunder:—

Heads of Expenditure	Budget	Actuals	Variations
(In crores of rupees)			
Collection of Taxes and Duties	25·34	26·30	+0·96
Debt Services	318·41	316·41	—2·00
Administrative Services	81·84	81·86	+0·02
Social and Developmental Services	168·14	167·58	—0·56
Multipurpose River Schemes	1·84	1·12	—0·72
Public Works	20·21	20·89	+0·68
Contributions and Miscellaneous Adjustments [includes mainly (a) Payments to States of their share of Union Excise Duties, and (b) Grants-in-aid to State and Union Territory Governments]	434·19	400·24	—33·95
Extraordinary Items	147·52	127·27	—20·25
Defence Services	717·80	692·85	—24·95
Other heads	126·02	120·	—5·33
TOTAL	2041·31	1955·21	—86·10

1.2. The saving of Rs. 24·15 crores on Capital Account, as compared with the Budget provision during 1964-65, was made up of savings

under a few heads and excesses under a few other heads. The savings were mainly under the following heads:—

Head	Budget	Actuals	Savings
(In crores of rupees)			
Defence Capital Outlay . . .	136·10	112·95	23·15
Industrial Development . . .	217·22	194·75	22·47

The saving was mainly due to less investment in Hindustan Steel (Rs. 19 crores) and Bokaro Steel (Rs. 5·20 crores).

Delhi Capital Outlay	13·73	11·50	2·23
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The saving was mainly due to slow progress in the construction of residential and other buildings in Delhi and New Delhi on account of shortage of cement and other building material.

Capital Outlay on Aviation	4·95	3·45	1·50
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The saving was mainly due to less expenditure on training programme and delay in the supply of equipment by the suppliers.

1.3. Referring to the Expenditure met from Revenue, the Committee pointed out that the savings had increased from 2 per cent in 1963-64 to 4·2 per cent in 1964-65 (i.e. more than double the savings in 1963-64). The representative of Deptt. of Economic Affairs stated that out of the saving of Rs. 86 crores there was a saving of Rs. 24 crores, under the Defence Services for which the budget estimate itself envisaged a slightly higher expenditure. Referring to the saving of Rs. 33·95 crores under Contributions and Miscellaneous Adjustments, the witness stated that an adjustment of Rs. 15 crores under grants-in-aid from the Special Development Fund as deduction from expenditure related to previous years, and there was also less payment to States of Union Excise Duty Collections. As regards the saving of Rs. 20·25 crores under Extraordinary Items, the witness stated that this was also purely due to an accounting adjustment on account of a shortfall in the receipt of PL-480 grants.

1.4. The Committee referred to the savings in the Capital Account (Defence Capital Outlay, Rs. 23·15 crores; Industrial Development, Rs. 22·47 crores; Delhi Capital Outlay, Rs. 2·23 crores and

Capital Outlay on Aviation, Rs 1.50 crores) and enquired about the action taken pursuant to their observation made in para 3 of their 36th Report (Third Lok Sabha) that the position in regard to savings might be considerably improved by a closer scrutiny of the basis on which the administrative Ministries proposed their estimates. The Secretary, Department of Expenditure stated that in their latest instructions on application of financial policies, they had advised the administrative Ministries to set up an effective finance and accounts wing in the budgetary cell so that their internal financial advisers could keep track of the progress of expenditure. The witness added that their experience was that while supplementary grants were by and large spent for the intended purposes, there were savings under other sub-heads of the demand of which the Ministries did not have a full picture. The witness expressed the hope that as soon as the internal financial arrangements for scrutiny were strengthened, the defect would be partly remedied. The witness added that they also intended to formulate certain instructions before the end of this year, so that the Finance Ministry might also come into the picture without interfering with the powers delegated to the administrative Ministries.

1.5. The analysis of savings given in Appendix X (pages 216-217) to the Audit Report indicated that in as many as 34 grants, the savings exceeded 20 per cent. Para 30 indicated that in 9 cases the supplementary provision was found wholly unnecessary and in most of the cases the supplementary provision was obtained in February, 1965. In 18 grants/appropriations the supplementary provision proved excessive.

1.6. The Committee enquired whether the Ministry of Finance were contemplating any steps to ensure a proper appraisal of known commitments and probable savings before proposals for supplementary grants were accepted by them. The Secretary, Department of Expenditure stated that they had been emphasizing on the Administrative Ministries to follow the General Financial Rules. In the latest orders of delegation of powers issued in March, 1966, the Finance Ministry had specifically requested the Ministries to have their own Internal Financial Advisers. One or two of the Ministries had appointed Internal Advisers and the others too appeared to be quite keen to get out of the control of the associated finance. At present, in spite of the powers delegated to them, the Ministries did not find it possible to take necessary action. Apart from the arrangements made in the Administrative Ministries, the Ministry of Finance proposed to undertake a special review in the month of January every year so as to see to what extent their expenditure had progressed.

1.7. The Committee note the measures proposed to be taken by the Ministry of Finance to achieve closer approximation between budget estimates and actual expenditure and to improve control over expenditure. They hope that the position would be kept under constant review. The Committee would watch the results through future Audit Reports.

Surrender of savings—pages 39-40 Para 33.

1.8. Under the rules, savings occurring within a Grant/Appropriation are required to be surrendered as soon as the possibility of such savings is envisaged without waiting till the end of the year.

1.9. During the year, out of the total saving in all grants and appropriations amounting to Rs. 161.50 crores, a sum of Rs. 133.38 crores was surrendered. Practically the entire amount was surrendered in March, 1965. During the last three years also, bulk of the savings was surrendered towards the end of the financial year. Individual cases where there was an omission to surrender funds during the year have been indicated in the detailed comments included in the Appropriation Accounts.

1.10. The Committee asked whether the non-surrender of more than Rs. 133 crores upto March had not affected the ways and means position of Government and what was the likely amount of Treasury Bills issued/renewed due to this belated surrender. The representative of the Department of Economic Affairs stated that effective savings were known at the revised estimates stage and the anticipated savings were taken into account whenever treasury bills had to be issued. If further savings arose till 31st March, that would not involve any additional deficit. In reply to a question, the witness stated that the revised estimates were available in January-February.

1.11. On his attention being drawn to the savings of 85.6 per cent and 82.2 per cent under Grants No. 118 (Capital Outlay on Mints) and Grant No. 116 (Capital Outlay on the India Security Press) respectively, the representative of the Department of Economic Affairs stated that in both the cases, the actual surrender was due to non-purchase of plant and machinery. In the case of capital outlay on Mints this was largely due to non-availability of foreign exchange in time, while in the case of the India Security Press there was some delay in the finalisation of the contract for import of machinery. In reply to a question the representative of the Department of Economic Affairs stated that the surrender order was issued on 31st March, 1965, but in the revised estimate it was indicated there was going to be a shortfall in expenditure. He added that the revised estimate was the only effective surrender and not the formal order

issued on 31st March. Asked why a formal order was not issued at the time of preparing the revised estimate, the witness stated that that could be done.

1.12. The Committee regret to note that the bulk of the savings was surrendered at the end of the financial year, although under the rules, savings occurring within a grant/appropriation are required to be surrendered as soon as the possibility of such saving is envisaged without waiting till the end of the year. The Committee have noticed this disconcerting feature year after year. They desire that necessary instructions should be issued that the rules in this regard are strictly followed by the Ministries.

Debt Position—Pages 8-9, Para 9.

1.13. The following table indicates the outstandings under "Public Debt" and "Unfunded Debt" at the end of 1956-57, 1963-64 and 1964-65:—

(In crores of rupees)			
	31 March, 1957	31 March, 1964	31 March, 1965
<i>Public Debt</i>			
(i) Market Loans . . .	1,648	3,147	3,307
(ii) Floating Debt . . .	1,048	1,667	1,731
(iii) Loans from foreign sources	120	1,623	2,108
<i>Unfunded Debt.</i>			
(i) Small Savings Collections .	633	1,258	1,386
(ii) Provident Funds, etc. . .	202	474	566
(iii) Deposits by U.S. Government of their counter-part funds created under PL-480 . . .	..	430	428
TOTAL .	3,651	8,599	9,526

1.14. The Committee enquired about the action taken pursuant to para 2.13 of their 52nd Report (Third Lok Sabha) wherein an earlier recommendation—that a practical trial should be given to the healthy principle enunciated in Article 292 of the Constitution regarding fixation of a limit by Parliament on public borrowings—had been reiterated. The Secretary, Department of Economics Affairs stated that the matter was under consideration at the highest

level and the decision was expected in 15-20 days. The Committee desired that the decision taken by Government might be communicated to them. The information is awaited.

1.15. The Committee desire that the Government should take an early decision on the Committee's recommendations suggesting that a practical trial should be given to the healthy principle enunciated in Article 292 of the Constitution regarding fixation of a limit by Parliament on public borrowings.

Foreign Loans—Page 13, Para 13.

1.16 The amounts of loans received from foreign sources and outstanding at the end of 1964-65 are indicated below:—
(In crores of rupees)

Sources	Amount of loan authorised	Loan received		Loan repaid		Loan outstanding at the end of		Rate of Interest
		During 1964-65	Upto end of 1964-65	During 1964-65	Upto end of 1964-65	1964-65	1964-65	
1	2	3	4	5	6	7	8	
USA	.	.	1727.52	343.32	1203.34	19.21	52.64	1150.70 2½ to 5½%
USSR	.	.	484.31	72.88	266.67	21.30	69.87	196.80 2½%
West Germany	.	.	352.53	24.09	260.92	19.75	89.29	170.73 3 to 6½%
Canada	.	.	51.48	5.82	26.43	2.01	10.87	15.56 4½ to 6%
Japan	.	.	126.77	15.33	40.94	3.14	5.17	35.77 5½ to 6%
UK	.	.	329.30	40.11	249.53	5.62	20.97	228.56 (A)
International Bank for Reconstruction and Development	.	.	232.35	6.32	217.10	9.34	41.62	175.48 4 to 6%
International Development Association	.	.	230.93	51.47	98.79	..	..	98.79 No interest is charged. A service charge of 3/4 per cent is payable on the amount outstanding

1	2	3	4	5	6	7	8
Poland	40.30	1.70	2.83	..	..	2.83	2½%
Switzerland	15.25	0.40	2.04	..	..	2.04	3½% above the official discount rate of Swiss Bank
Yugoslavia	19.05	4.07	4.72	0.45	0.45	4.27	3%
Rhodesia and Nyasaland	1.33		1.33	0.27	0.53	0.80	(B)
Netherlands	8.55	1.28	1.28	..	..	1.28	5½%
Czechoslovakia	63.10	1.47	1.47	..	..	1.47	2½%
Newzealand	0.33	0.33	0.33	..	..	0.33	5%
Austria	6.11	0.84	0.84	0.12	0.12	0.72	5½% to 6%
Kuwait	34.19	..	34.19	3.21	11.69	22.50	4½%
TOTAL	3723.40	569.73	2411.85	84.42	303.22	2108.63	

(A) Credit from M/s. Lezard Bros. and Company carries interest at 1% above the UK Bank Rate (with a minimum of 4½% per annum).

(B) The amount of loan received represents credit for miscellaneous stores received on deferred payment basis.

1.17. In para 1.14 of their Fifty-Fourth Report (Third Lok Sabha), the Committee desired that the review suggested in para 8 of their 36th Report (Third Lok Sabha) indicating how far the various projects financed from foreign loans were (a) already remunerative (b) likely to become remunerative after some years and (c) likely to continue to be unproductive so far as can be foreseen should be completed early. The Committee had further desired that this review should also include the results of the study as to how far the Government's expectations had been realised in respect of earning/saving the foreign exchange as a result of commissioning of some projects. Pursuant to this recommendation, the Ministry of Finance furnished to Committee a review of the financial working of certain undertakings with a summary of the review.

1.18. In evidence, the Secretary, Department of Co-ordination stated that the review undertaken by the Ministry could not be a complete review at any stage, as it had to be a continuous one taking into account further foreign loans received for new projects. The witness expressed the view that in order to present a more complete picture, they should undertake a review showing the result of the working of these projects both on remunerativeness and on foreign exchange savings, either through imports savings or through exports, based on the achievement of the year 1965-66. The witness added that it would then be possible to make a comparison of the expectations envisaged in the Third Plan and the actual achievements. Referring to the review furnished to the Committee the witness stated that it was an interim review prepared by the Bureau of Public Enterprises based on the results of 1964-65. They had received reports for 1965-66 from only two or three undertakings.

1.19. The Committee pointed out that what they wanted to know was (i) total amount of foreign loans invested productively (ii) return received (iii) service charges being paid to foreigners and (iv) saving by way of foreign exchange. The Secretary, Department of Economic Affairs stated that they had not carried out the review in that way as their impression was to indicate only the remunerativeness. He added that they would as far as possible carry out the review in that manner in respect of the completed projects.

1.20. Asked why they had carried out a review in respect of only 20 undertakings, the Secretary, Department of Co-ordination stated that the review indicated the results of 1964-65, during which year these 20 were the only running concerns, and they had not taken into account those concerns which were still at the stage of construction and expansion. More concerns would be added in the review based on the results of 1965-66. The Committee desired that they

should include both industrial concerns and power projects and also indicate the total foreign exchange investment. Referring to the power projects etc. the witness stated that they had not taken into account the over heads, as it was difficult to estimate the foreign exchange saving primarily in the case of economic overheads like transport etc. In this connection, the witness referred to the following explanation given in their note:

"It has also to be borne in mind that borrowed funds are utilised not only on directly and measurably productive industrial projects, but also on social services, power generation, transport, railway development, and infra-structure development generally. It is difficult to measure the profitability of the investment on infra-structure development or on social services, nor can any foreign exchange earnings or savings be attributed to railway development or power or transport projects. Nevertheless, all these are vital to development and could be justified solely on this ground."

1.21. The Committee desire that the final review of the remunerativeness of the various undertakings etc. Financed from the foreign loans based on the financial results of the year 1965-66 should be completed on the lines indicated by the Committee. The review should cover all the running undertakings etc. financed from foreign loans and in cases where it is not possible to measure the profitability or foreign exchange earnings/savings, this fact may be indicated in the review.

1.22. In reply to a question, the representative of the Ministry of Finance stated that at the new rate (post-devaluation), the annual export earnings were of the order of Rs. 1,300 crores and against this repayments of loans including amortization and interest amounted to Rs. 300 crores which worked out to roughly 25 per cent. The witness added that this relationship of 25 per cent would remain during the whole of the Fourth Plan period, for if even the export earnings increased the repayment liability would also increase.

1.23. The Committee desired to be furnished with a statement showing (i) the total amount of loans received from foreign sources as on 30th November, 1966 and (ii) repayments of principal and interest due in the 10 years, 1966-67 to 1975-76 giving break-up for (a) loans repayable in foreign exchange; (b) loans repayable through export of goods and (iii) loans repayable in rupees. (The figures should be given both in terms of pre-devaluation and post-devaluation rates).

1.24. The Ministry of Finance have furnished a statement* (Appendix I) showing the position as on 30th November, 1966. The position is as under:

(In crores of rupees)

	Loans outstanding as on 30-11-66		Repayments due during fourth plan period		Re-payments due durin Fifth Plan period	
	At pre- devaluation rates	At post devaluation rates	At pre- devaluation rates	At post devaluation rates	At pre- devaluation rates	At post devaluation rates
1. Loans repayable in foreign currency	1814.68	2858.13	617.40	972.46	615.80	969.49
2. Loans repayable through the goods	278.10	438.01	161.55	254.45	148.94	234.56
3. Loans repayable in rupees	737.84	962.80	210.46	332.17	191.65	301.87
TOTAL	2830.62	4258.94	989.41	1559.08	956.39	1506.39

*Not Vetted by Audited.

1.25. The Committee feel concerned to note that the burden of repayment of principal and interest of the present loans would be heavy during the Fourth and Fifth Plan periods, which may further increase as a result of fresh loans.

Assistance received under Public Law 480—Page 14—Para 14.

1.26. Under PL-480 (Title I), Government of India had upto August, 1965 entered into nine agreements with the U.S. Government for import of various commodities such as wheat, rice, tobacco, cotton, etc., valued at Rs. 1414.43 crores. The value of commodities actually imported and paid for in rupees upto August, 1965, however, amounted to Rs. 1252.14 crores.

1.27. The agreements provide that out of the proceeds of Rs. 1414.43 crores, a major portion (viz., Rs. 1136.49 crores) would be paid back to the Government of India as loans and grants for financing 49 mutually agreed development projects and as loans (Rs. 101.77 crores) to U.S. firms and their affiliates for investment in private enterprises, in India, the balance (viz., Rs. 176.17 crores) being retained by the U.S. Government for their own uses. The following table indicates the allocations made as loans and grants by U.S. Government and the amounts actually drawn by Government of India up to 31st August, 1965:

	Loans	Grants
	(In crores of rupees)	
Allocation	761.17	375.32
Amount drawn	476.15	256.24
Balance	285.02	119.08

they were asked to give an audit certificate indicating the collections

1.57. In para 1:61 of their 54th Report (Third Lok Sabha) the Pub- (Note: The loans to U.S. firms and their Indian affiliates are disbursed to them direct by the United States Agency for International Development.)

The amount remaining unpaid has been invested in Government securities bearing interest @ 1½ per cent per annum.

1.28. The committee enquired about the reasons for the shortfall. The representative of the Department of Economic Affairs stated that the allocation of loans and grants was made with reference to to the total imports envisaged in the agreement. But at any particular time, the actual accruals to the rupee account would be less,

because all the imports would not have taken place at that stage. It was only against the actual accruals that drawals could be made for the projects. The witness added that if the actual accruals were taken into account, the balance at the end of August, 1966 was Rs. 162 crores for loans and Rs. 104 crores for grants. The Secretary, Economic Affairs stated that there was no unusual delay in reaching an agreement with the U.S. Government regarding allocation of the funds for various projects. The Committee asked for the figures of actual accruals and utilisation. The representative of the Department of Economic Affairs stated that total amount involved the agreement signed till 30th September, 1966 was Rs. 1798 crores, actual deposits were Rs. 1521 crores; actual disbursement against this was Rs. 1011 crores; and the balance was Rs. 510 crores. The break-up of the disbursement of Rs. 1011 crores was stated as Rs. 528 crores for loans to the Government of India; Rs. 319 crores for grants to the Government of India, Rs. 54 crores for cooley loans and Rs. 108 crores for the U.S. Embassy.

1.29. In reply to a question, the witness stated that the U.S. Embassy were under no obligation to render an account of the amounts drawn by them from the fund. In reply to another question, the witness stated that the agreement specified an amount not exceeding about Rs. 1½ crores per year to be used for tourists, but the actual expenditure was of the order of a few lakhs. The Committee desired to be furnished with a note stating the amount of foreign exchange lost as a result of the tourists being allowed to utilise PL-480 funds.

1.30. In a note* (Appendix II) furnished to the Committee, the Minister of Finance have stated that the provisions regarding the sale of rupees for dollars by the U.S. Embassy to the American tourists was made for the first time in the PL-480 agreement signed in September, 1964. Since then, and till September 30, 1966, the total amount of rupees sold by the U.S. Government to U.S. tourists is Rs. 2.28 lakhs.

1.31. The Committee desired that the Ministry of Finance should take necessary steps so that the accruals of assistance from PL-480 fund should be utilised properly and expeditiously. As far as possible the delay in the finalisation of Agreements for new projects should be minimised. The Ministry of Finance should also keep a closer watch on the progress of execution of the projects financed from this assistance.

. *Not Vetted by Audit.

Loans and advance by the Central Government—Pages 14-15—Para 15.

Details are given below of the loans and advances outstanding against State Governments, Foreign Governments etc. at the end of 1963-64 and 1964-65. The statement does not include the amount due from the Government of Pakistan on account of their share of pre-partition debt.

Name of Loanee	Amount outstanding on 31st March 1964	Loans paid during 1964-65	Loans re-paid during 1964-65	Amount outstanding on 31st March 1965
(In crores of rupees)				
State Governments .	2984.00	663.29	216.01	3431.28
Union Territory Governments	10.77	15.41	0.01	26.17
Foreign Governments .	28.47	12.20	10.71	29.96
Local funds Municipalities, etc. .	97.18	12.30	2.07	107.41
Government Corporations, Non-Governments Institutions, etc. .	782.33	219.13	55.57	945.89
Government servants .	8.77	6.19	4.75	10.21
Cultivators .	0.78	0.19	0.06	1.03
TOTAL .	3912.30	926.71	289.06	4551.95

Note: The balances as on 31st March, 1964 differ from those shown in para 18 of the Audit Report, 1965 on account of pro-forma corrections.

1.33. The Committee enquired about the action taken on the recommendation contained in para 1.44 of their 54th Report (Third Lok Sabha) that the Ministry of Finance should make a regular study of the Audit Reports of the State Governments and the Reports of the Public Accounts Committee thereon to ascertain whether grants/loans paid to the State Governments for specific schemes were being properly utilised. The Secretary, Deptt. of Co-ordination stated that they had undertaken such a study in respect of West Bengal, Punjab, Orissa, Mysore, Gujrat and Assam. The reports of the other States were under study. In the case of Mysore, Orissa and Punjab they had listed certain points and forwarded

them to the Finance Secretaries concerned asking them to furnish detailed notes explaining their point of view and a copy of the replies to the concerned PAC where they had directed them to submit replies. The Committee desired to be furnished with a note containing a briefly the result of the review undertaken by the Ministry.

1.34. The Ministry of Finance have furnished a note containing a brief review of the study of the latest reports of the Public Accounts Committees of the states of Andhra Pradesh, Madhya Pradesh, Mysore, Orissa, Punjab, Rajasthan and Uttar Pradesh.

1.35. "The Committee notice that the Ministry have conducted a review of the PAC Report of some of the States and this review does not cover State Audit Reports which was also desired by the Committee. According to Audit the study made by the Ministry of the P.A.C. Reports is also not comprehensive and excludes a number of important cases commented upon in these Reports. The Committee have no doubt that State Audit Reports and the PAC Reports contain useful information which has a bearing on utilisation of Central assistance by the States concerned. The Committee, therefore, desire that the Finance Ministry should conduct a more comprehensive study of the State Audit Reports as well as PAC Reports thereon as early as possible. The Committee would like to know in due course the corrective action taken as a result of this study.

1.36. The Committee also desire that such a study should be made a regular feature for future to keep a watch on the utilisation of loans and grants given by Central Government to State Governments."

1.37. The Committee would also like to know the action taken by the State Governments on the instructions issued by the Ministry in October, 1964, pursuant to their earlier recommendations, that with effect from the year 1965-66 the final adjustments of Central assistance to State Government's for Plan Schemes would be on the basis of the audited figures of expenditure.

Loan given to Public Sector Undertakings and Institutions—Page 15—para 16.

1.38. The amounts of loans given by the Government of India to some of the Public Sector Undertakings and Institutions during the three years ending 1964-65 are shown below:

Number of Public Sector Undertakings/Institutions		Amount of loan advanced			Rate of Interest
		during 1962-63	during 1963-64	during 1964-65	
(In crores of rupees)					
31	.	.	.	81.02	4½% to 6%
29	.	.	.	112.81	4½% to 8%
38	.	.	.	161.42	3½% to 8%

1.39. Referring to the loans sanctioned to various public sector undertakings/Institutions, the Committee asked how different rates of interest were charged from different undertakings from time to time, when according to the instructions issued by the Finance Ministry in 1961 the rates chargeable from the industrial undertakings should be comparable with the interest paid by first class companies in the private sector for their borrowings. The representatives of the Department of Economic Affairs stated that the rate of interest charged from the different undertakings depended on the period of the loan. The rate of interest was 5 per cent on a loan for a period of 2 to 4 years, 5½ per cent for a period of 4 to 9 years and 6 per cent for a period of 9 to 15 years. (According to a note* furnished by the Ministry the rates have since been increased to 6, 6½ and 7 per cent from 1st May, 1965). In some cases the penal rate of interest (8 per cent) had been charged. The witness added that the rates charged were fixed on the basis of the interest payable by first class companies during the particular period i.e. 1962 to 1964. When it was pointed out that even at that time the rate payable by the first class companies was higher, the witness stated that until then the rates charged by Government used to be even slightly lower, because these had to be determined on the basis of Government's own borrowing rates. The Secretary, Department of Economic Affairs stated that Government had decided as a matter of policy to increase the rate so that it may conform more with and not be indetical to that of first class companies. The Committee desired to be furnished with a note stating the circumstances in which different rates of interest had been charged from different institutions from time to time. The *information furnished by the Ministry is

*Not Vetted by Audited.

1.40. The Committee note that in 1961 it was decided that the rates of interest on loans advanced to industrial undertakings in the public sector should, by and large, be comparable with the interest rates on which first class companies in the private sector obtained their loan requirements. The Committee feel that the rates of 5 to 6 per cent for loans ranging from 2 to 15 years fixed by Government prior to 1st May, 1965 and also the rates of 6 to 7 per cent fixed from 1st May, 1965 are not quite comparable with the then prevailing and the present rates paid by the first class companies in the private sector. The Committee, therefore, desire that the Ministry should examine this aspect further. The Committee stress that in order to have a true picture of the financial working of the Industrial Undertakings in the Public Sector, the rates of interest chargeable from them should be more realistic.

Fixation of terms and conditions of loans advanced to Government owned Corporations etc.—pages 22-23,—para 22:

1.41. Referring to the loan of Rs. 4.45 crores sanctioned to the Banks in Goa without settling terms and conditions of repayment, the Committee drew attention to para 5 of the Ministry's note submitted to the Committee (pages 17—21 of 52nd Report of PAC-VOL.IV—Third Lok Sabha) stating that a local firm of Auditors was being appointed to audit the reconstituted accounts and that orders fixing the terms and conditions of loans would be issued after the report of the auditors was received. Explaining the present position, the representative of the Ministry of Finance (Deptt. of Economic Affairs) stated that the report of the auditors had been received in respect of one of these banks recently.

1.42. The Committee desire that the matter should be pursued and the finalisation of the terms and conditions of repayment of loans given to the Banks in Goa which has been already delayed should be expedited.

Loans sanctioned for indefinite periods—Para 24, page 23.

1.43. In the following cases loans were sanctioned for indefinite periods:—

Name of Ministry sanctioning the loan.	Name of loanee	Sanctioned during	Amount (In lakhs of rupees)	Rate of interest
Petroleum and Chemicals	Fertilizer Corporation of India	December, 1951 to March, 1957	293.04*	4½%
Irrigation and Power	Delhi Electric Supply Undertaking	September, 1939 to March, 1950	396.50	3½% 4½%
Transport.	Shipping Development Fund Committee	March, 1959 to March, 1962	1898.06	4½%
Education.	Kerala State Government	October, 1963 to July, 1965	58.67**	Interest free

*The total amount of loans received by the Corporation was Rs. 959.76 lakhs, out of which they refunded Rs. 666.72 lakhs during 1952-53 to 1955-56.

**The loans are for the purpose of awarding loan scholarships to candidates selected by the State and the repayment to the Central Government will be on the basis of actual recovery.

1.44. According to Audit, only in one case (i.e. of Fertilizer Corporation of India) a part of the loan had been refunded. The Ministry of Finance held the view in December, 1963, in the case of Shipping Development Fund, that the grant of a perpetual loan is foreign to the very idea of a loan which, according to the Law Ministry's ruling in an analogous case of State Electricity Board, should be repaid after a specified period and that as Government do not borrow loans exceeding 20 to 25 years at the most, there would be no yardstick for fixing the rate of interest on a perpetual loan.

1.45. Referring to the loan given to the Fertilizer Corporation of India, the representative of the Department of Economic Affairs stated that it represented the amount outstanding out of the debentures issued by the Corporation on account of the transfer of the fertilizer project. The repayment terms had since been settled and they would repay the loan in three instalments from 1969.

1.46. As regards the loan to Delhi Electric Supply Undertakings the witness stated that the amount represented some debentures which were purchased in 1939-40. These had been converted into a fresh loan to be repaid after 20 years.

1.47. With regard to the Shipping Development Fund, the witness stated that from 1962-63 they were giving them only loans for 15 years' period. But the loans given earlier were treated as perpetual loans on which normal rate of interest i.e. 4½ per cent was payable, but the principal was not to be repaid until the fund was wound up. The Secretary, Department of Economic Affairs stated that the Shipping Development Fund Committee was only a Central Government institution on whose disposal a kind of revolving fund had been placed, out of which loan was paid to Shipping companies. On his attention being drawn to the Law Ministry's opinion that concept of perpetual loan was unthinkable, the witness stated that the money placed at the disposal of the Shipping Development Fund Committee was different from a loan given to an outside party. When the Committee pointed out that the money given to the Fund should either be treated as an outright grant or a loan repayable after a specified period, the representative of the Deptt. of Economic Affairs stated that the question of giving an outright grant had been considered at one time but it was found that the burden on revenue would be too much. The Secretary, Department of Economic Affairs stated that Railways and Posts & Telegraphs have also received their capital investment and paid only interest at a rate which varied from time to time except for a small amortisation which had been agreed to. Asked if it was

possible to convert the loan into equity capital, the representative of the Deptt. of Economic Affairs stated that that could be done if it was converted into a corporation.

1.48. The Committee note that from 1962-63 Government are giving loans to the Shipping Development Fund Committee for a period of 15 years. They desire that the Ministry should examine whether the earlier loan given for an indefinite period could not be converted into a fresh loan to be paid after a fixed period, because the Committee feel that repayment of the amount borrowed at a specified date or time is the chief characteristics of a loan.

National Defence Fund—Para 26. pages 24-25.

1.49. The Fund was constituted in November, 1962 with the object of mobilising resources for the defence of the country and for the welfare of the Armed Forces. The transactions relating to the Fund appear in the "Public Account" Section of the Government Accounts. The cash collections under the Fund accounted for during 1962-63, 1963-64 and 1964-65 amounted to Rs. 50.30 crores, Rs. 7.88 crores and Rs. 1.04 crores respectively. The expenditure from the Fund during these years amounted to Rs. 8.89 crores, Rs. 15.12 crores and Rs. 0.08 crore leaving a closing balance of Rs. 35.13 crores as on 31st March, 1965.*

1.50. The following are the broad heads under which expenditure has been incurred:—

Head	Expenditure		
	during 1962-63	during 1963-64	during 1964-65
	(In crores of rupees)		
Transfer to Revenue to meet expenditure on purchases of Defence equipment	8.00	14.93	..
Payment to the University Grants Commission to meet 50% of the cost of construction of 100 Rifles Ranges in Educational Institutions	0.12	..	..
Payment to the Citizen's central Council Amount spent through Army and Air Force. Relief Fund. and other Defence Organisations	0.35	..	..
	0.15	0.11	0.05
Other items	0.27	0.08	0.03
TOTAL	8.89	15.12	0.08

*The receipts and expenditure under the fund during the period from 1-4-65 to 30-31-65 were Rs. 9.42 crores and Rs 8.81 crores respectfully.

1.51. The cash collections under the Fund include sale proceeds of Jewellery in India (Rs. 27,974) and out of India (Rs. 24,117) accounted for during 1964-65. During 1963-64, the Citizens' State Councils of Hihachal Pradesh, Delhi and Tripura held unutilised advances amounting to Rs. 32,500, Rs. 30,000 and Rs. 15,000 respectively advanced to them by the Citizens' Central Council. The unutilised amounts had neither been refunded nor any statement of expenditure submitted to the Citizens' Central Council as yet (January, 1966).

1.52. The Committee enquired about the present position of the receipt of the outstanding statements of expenditure from the Citizens' State Councils. The representative of the Prime Minister's Secretariat stated that since the Public Accounts Committee examined the matter last, accounts had been received from Uttar Pradesh for the years 1964-65 and 1965-66, from Bihar up to 31st March, 1964 and from Kerala upto 30th September, 1966. There was no change in respect of other States. The balance in the fund was stated as Rs. 45.44 crores. Asked whether the gold and jewellery had been converted into cash, the witness stated that out of the total donation of 24.7 lakh grams of gold, 23 lakh grams were made over to the mint for being converted into bars. Out of this 21 lakh grams had been melted and converted. The balance was in the form of jewellery or coins which they had been trying to dispose of for the last two years but with little success. A committee was appointed to select a few items of jewellery which it was thought would fetch good price abroad. Some pieces were sent to U.S.A. where some of them were sold. The rest had been given to the Central Cottage Industries Emporium, who had been able to sell some, but the bulk still remained. As regards the coins, the witness stated that on the advice of experts about 1419 rare coins were sent to U.S.A. and U.K. and out of these 103 were sold in U.S.A. for 1527 dollars and 271 in U.K. for £ 803. The remaining coins had been received back and efforts were being made to dispose them of through museums etc. The Committee desired to be furnished with a note stating the number of rare coins sold in U.K. and U.S.A., weight of gold content in them and the sale price realised also stating whether the Ministry considered the sale price as reasonable and whether the coins could not fetch a better price in India.

1.53. In their note*, the Prime Minister's Secretariat have stated that the total sale proceeds in respect of 374 coins sold in U.S.A. and U.K. amounted to about Rs. 18,000 in all at pre-devaluation rates of exchange as against about Rs. 10,785 being the value of the gold content at the then prevailing international price. It has been fur-

*Not vetted by audit.

ther stated that it was not intended to sell these gold donations in India for Rupees since the gold was required for strengthening the official foreign exchange reserves of Government. There was, therefore, no question of fetching a better price in India as an alternative to selling abroad.

1.54. The Committee feel that in view of the fact that the coins in question were rare pieces, the sale price realised i.e. Rs. 18,000 was not at all reasonable, although it may have been more than the international price of the gold content in them. This matter should be carefully looked into.

1.55. Asked whether the receipts of the Fund were subject to audit, the representative of the Department of Economic Affairs stated that the realisations coming through the prescribed agencies like State Bank of India were audited by the Comptroller and Auditor General. So far as collections through other banks were concerned, they were asked to give an audit certificate indicating the collections received and remitted to Government. Asked whether the collections made through non-official bodies were subject to audit, the witness replied in the negative and added that some of the State Governments had arranged their audit by local fund auditors. Asked if the Ministry proposed to advise the State Governments to have the collections made by non-official agencies subjected to normal audit, the witness replied that they would look into the matter.

1.56. The Committee desire that the question of subjecting the collections of National Defence Funds made through non-official bodies to normal audit should be examined in consultation with the State Governments and the Comptroller and Auditor General of India. The Committee also desire that the submission of outstanding statements of expenditure from the Citizens' State Councils should be pursued more vigorously with the State Councils concerned.

Finance Accounts, 1964-65

Guarantee to the State Bank of India in respect of credit of Rs. 95 lakhs to M/s. Richardson and Cruddas Ltd. Page 48, item (iv).

1.57. In para 1.61 of their 54th Report (Third Lok Sabha) the Public Accounts Committee recommended that the Ministry should review whether any further steps (apart from the conditions laid down in the tripartite agreement) are necessary to safeguard the Financial

interest of Government and that there should be a clear stipulation in the agreement that during the currency of the guarantee the management would be in the hands of the Court/Government's nominee. The Committee asked about the action taken in this regard. The Secretary, Department of Company Law stated that so far as the first point was concerned, they were examining in consultation with the Law Ministry as to the steps to be taken to secure control over the Company. The witness added that under the Administrator's management the financial position of the company had become sound. It had succeeded in making profits of Rs. 12 to 15 lakhs and in paying off its liabilities. It had put in some working capital and incurred capital expenditure of about Rs. 60 lakhs out of profits, but it could not repay the loan to the Bank. The present management also included a financial adviser and two-three government officials as directors. The Administrator consulted the Ministry on important matters, ' Asked if, in view of the fact that the financial position of the company has become sound, Government could be exempted by the State Bank from the guarantee, the witness stated that they take up the matter with the State Bank.

1.58. The Committee would like the Ministry to ensure that so long as the guarantee given by Government on the loan is operative, the financial interests of the public exchequer are fully safeguarded. They also desire that in view of the sound financial position of the company the question of cancellation of the guarantee given by Government on the loan taken from the State Bank of India should be taken up with the Bank.

II

MINISTRY OF HEALTH AND FAMILY PLANNING

(DEPARTMENT OF FAMILY PLANNING)

Audit Report (Civil), 1966—Grants to Bharat Sewak Samaj Family Planning Orientation Camps—para 136(i)—pages 161-62.

2.1. During 1962-63 and 1963-64 grants aggregating Rs. 4.54 lakhs were paid by the Ministry of Health to the Bharat Sewak Samaj for organising 744 family planning orientation camps of 3—6 days' duration each to teach methods of family planning to the villagers. The grants were released on the basis of a ceiling of Rs. 600 for a camp of 3 days' duration (Rs. 10 per participant). No condition was prescribed by the Ministry with regard to the supervisory charges to be claimed by the Samaj for organising the camps or the expenditure on food to be incurred at the camps. During the two years the Samaj could organise only 688 camps, on which an expenditure of Rs. 3.90 lakhs was incurred.

2.2. In June, 1964, the Ministry decided that in respect of the camps organised during 1963-64, the supervisory charges of the Headquarters office of the Samaj and the Regional Camp Committees should be restricted to 5 to 7 per cent of the gross expenditure and that expenditure on meals at the camps should be allowed only for persons coming to the site of the camps from far off places and not to local residents. However, the accounts submitted by the Samaj indicated that the supervisory charges actually claimed amounted to 22 per cent of the total expenditure incurred on the camps, resulting in an overpayment of Rs. 42,901.

2.3. Meals at the camps were also served to the local residents resulting in irregular expenditure amounting to Rs. 12,190 in 125 camps alone. As the supervisory charges and the expenditure on meals had been incurred by the Samaj before the issue of the Ministry's instructions in June, 1964, the excess expenditure had to be approved by Government.

2.4. Under the conditions of the grant, the Samaj was required to submit an audited statement of accounts, supported by a utilisation certificate in a prescribed form, to Government. The camp accounts

for 1962-63 and 1963-64 were, however, not audited by a qualified auditor. Only a consolidation was done at Headquarters by a qualified auditor, of the statements of account sent by the Regional Camp authorities.

2.5. The Ministry have stated (December, 1965) that a procedure for having the accounts of a group of camps audited every year in rotation by Chartered Accountants is under consideration.

2.6. According to the form prescribed by Government, the utilisation certificates were required to be counter-signed by a Health Officer or the Family Planning Officer of the respective States in which the camps were actually held. The Samaj, however, got the utilisation certificates countersigned by the Municipal Health Officer, Delhi Municipal Corporation, who was hardly in a position to certify their correctness.

2.7. The Committee had asked the Ministry to furnish information on certain points arising out of the Audit para. The information furnished, in this connection, is at Appendix IV.

2.8. Referring to the notes received from the Department of Health and Family Planning on the audit para, the Committee desired to know whether the Department of Health and Family Planning had enquired about the capability of the Bharat Sewak Samaj for holding the Family Planning Orientation Camps. The Secretary of the Department referred to a letter (Appendix V) from the then Health Minister dated the 9th April, 1962 wherein certain details about these camps had been indicated. He stated that on the basis of those conditions, the Samaj was asked to formulate their proposals for holding these camps. The Samaj ultimately sent their detailed proposals and it was on that basis that further action was taken. The Committee then pointed out that the letter from the then Health Minister did not mention that the Samaj had any special qualifications for holding those camps. Explaining the position, the witness stated that there were two parts in the programme of family planning. One part was the clinical part—to which the doctors attended. The other part related to the carrying of information about family planning to the people and making them familiar with the know-how of the methods and in that process motivating the people to accept the programme of family planning as a way of life. It was only in this sphere, where the role of voluntary organisation etc. came in, that the role of the Bharat Sewak Samaj was accepted. The Committee desired to know whether any independent assessment was made at any time

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of the results achieved by the Bharat Sewak Samaj in this scheme. The witness stated that for the scheme for 1962-63 the Samaj had stated in 1962 that while formulating their proposals they would consult the local committees which would include Civil Surgeon, District Public Health Officer and Block Development Officer and also Panchayat Planning Board, if any. It was, therefore, presumed the witness added that there was rapport between the official wing and the voluntary organisations. Moreover, in subsequent years there were reports from the State Family Planning Officers about the results achieved by the Samaj in this scheme. Apart from that there was no independent assessment of the results achieved by the Samaj.

2.9. In reply to a question, whether the Government satisfied themselves that the conditions specifically prescribed by them for receiving the grants were being complied with by the Bharat Sewak Samaj, before the grants were released, the witness stated that the proposals submitted by the Samaj from year to year were examined in detail before any grant was released. There was full scrutiny in consultation with the Ministry of Finance. The proposal of the Bharat Sewak Samaj was contained in their letter (Appendix VI) dated the 5th May, 1962. The Samaj had submitted not only all the details of the programme of the three days for which they were going to hold these camps, but also about the position of finance, aims and objects and location of these camps, the method of training, etc.

2.10. The Committee then referred to the letter dated the 9th April, 1962 from the Minister of Health to the Vice-Chairman of the Bharat Sewak Samaj wherein certain conditions had been laid down for fulfilment before the grants were given and enquired whether the Samaj had accepted the condition about the location of these camps. The witness stated that the Department intended that by and large these camps should be held in rural areas. The Samaj had also accepted the condition by appointing local committees (including Government representative) who ensured that in a particular place where one organisation was holding some such camps, the others should not come in. The witness added that, "it can, therefore, reasonably be presumed that necessary co-ordination will be evolved and there will be no duplication of effort by different organisations". The Committee were further informed that "Rural Areas and Urban Slum Areas," were the broad categories which guided the location of these camps. The Committee were informed that in 1962-63 the total number of camps held by the Bharat Sewak Samaj was 183 and the number of persons in

these camps was 10,837. They desired to be furnished with a note as to out of 183 camps held in 1962-63 how many were held in rural and how many in urban areas; and whether any duplication of efforts was involved in holding such camps. The information is at (Appendix VII).

2.11. From the evidence given and from the documents submitted to the Committee, it appears that no assessment of the capabilities of the Samaj was made for holding these Camps for motivation purposes before the grants were sanctioned for the first time in 1962-63. The Committee feel that before sanctioning grants to private bodies for new schemes the concerned Ministry should ascertain about the standing, capacity, resources etc. of the body to undertake the task.

2.12. In the note furnished at the instance of the Committee (Appendix VII) it has been stated that all the 183 camps conducted by the Bharat Sewak Samaj in 1962-63 were held in Rural Areas and there was no overlapping of activities with any other agency in the camps organised by them. But the Committee learn from the notes submitted earlier by the Ministry that the Samaj in their own communication to the Health Ministry (Appendix VI) proposed to locate these camps at Block Headquarters and Urban Slums. This indicates, therefore, that the Samaj did not follow their own proposal submitted to the Ministry of Health originally for holding these camps at particular locations. The Committee fail to understand as to why Urban Slum Areas escaped the attention of the Samaj while holding camps in other areas.

2.13. In reply to a question whether they were aware of the existence of other social organisations, who could undertake this type of work the witness stated that the Department had, on 20th May, 1961, issued a general circular giving all the details about these camps, to all the State Governments, voluntary organisations and other concerned organisations. These organisations were also asked to send their proposal to the Department for necessary sanction. The Committee were also informed that there were some other organisations also who came in the field earlier than the Bharat Sewak Samaj e.g. in 1961-62. All India Women's Conference and Indian Red Cross were sanctioned some camps. The Government was patronising all of them equally.

2.14. Asked about the great difference in the quantum of grant to Bharat Sewak Samaj (Rs. 1,20,000 in the first instance) and other voluntary organisations (Rs. 6,00 to All India Women's

Conference), the witness stated that all the voluntary organisations in all the States were asked to participate in the scheme and to ask for funds. The Samaj had sent proposals for 1,000 camps and after scrutiny only 200 camps were sanctioned. He further added that it was a question of what the organisations wanted and what they were intending to do. Explaining the grant of larger sums to the Bharat Sewak Samaj the witness stated that the basis was that they showed the greatest enthusiasm and the largest initiative and they wanted to participate in a big way. The witness, however, promised to furnish information about the amount asked for by different voluntary organisations in connection with the holding of such camps in different years and the amount actually paid to them for this purpose.

2.15. The Committee find from the statements (Appendix VII—Annexure A) that during the years 1962-63 and 1963-64 as well as in 1964-65, there is a great difference between the amount asked for by Samaj for holding Family Planning Orientation Camps and the amount sanctioned by the Department of Health & Family Planning. During 1962-63 and 1963-64 amount sanctioned was even less than 25% of the amount actually asked for. This seems to indicate that the Samaj had been asking for amounts on the basis of unrealistic appreciation of their own capacity and capability to hold these camps. In the opinion of the Committee, this further points to the need of making an assessment of the capacity to undertake a particular scheme by any organisation before giving grant-in-aid.

2.16. The Committee also find from the statement that the Bharatiya Gramin Mahila Sangh and Indian Red Cross have been getting amounts asked for by them from year to year. The Committee note, however, that the grants given to other organisations have been comparatively much less when compared to grants given to Bharat Sewak Samaj. The Committee feel that in view of these facts the Department of Family Planning may make an effort to ascertain whether these bodies are prepared to undertake more and more family Planning orientation camps.

2.17. The Committee then referred to condition No. (vi) incorporated in the letter of the then Health Minister dated 9th April, 1962 (Appendix V) which was as follows:—

“One of the criteria for declaring a camp successful will be that the number of persons seeking advice and taking contraceptives from the clinics in the areas and the

number of sterilisation operations should show appreciable increase"

and enquired whether any scrutiny was made keeping this criterion in view. The witness stated that it was very difficult to assess the contribution made by any particular voluntary organisation of this nature. He further added that the condition on this point was only the hope expressed by the then Minister. Giving the results achieved as a result of these camps, the witness stated that according to the papers submitted by Bharat Sewak Samaj the year 1963-64 the number of sterilisation operation after the holding of these motivation camps was 650. In 1964-65 the number of sterilisation operations was 1234 and the number of loop insertion was 1085. The witness, however, added that unfortunately the impact from the whole area from where the people came to attend these camps had not been assessed.

2.18. Referring to condition No. (iv) laid down in the letter of the then Health Minister that the subsequent grants will depend upon the recommendations received from the Administrative Medical Officers, the Committee enquired whether subsequent grants released to the Samaj were on this basis. The witness stated that in the first two years i.e. in 1962-63 and 1963-64 grants were released to the Samaj without the recommendations of the Administrative Medical Officers. Subsequently grants were released in accordance with the recommendations of the State Family Planning Officers who acted on behalf of the State Medical Officers.

2.19. The Committee regret to note that the conditions specifically prescribed in the letter of the then Health Minister dated 9th April, 1962 (Appendix V) addressed to the Vice-Chairman of the Bharat Sewak Samaj for the conduct of Family Planning Orientation Camps were not strictly followed. Even the Department of Family Planning did not seem to attach importance to these conditions and treated them as mere hopes expressed. The Committee are unable to accept this view. In their opinion laying down these conditions specifically was beneficial for purposes of avoiding waste of resources, duplication of efforts and for assessing the impact of the scheme. If the Department of Family Planning felt that these conditions were not capable of being strictly enforced, these should have been modified subsequently instead of allowing such conditions as laid down by the Minister himself to remain on paper only.

2.20. The Committee then desired to be furnished with the copies of the recommendations of the State Family Planning Officers

on the basis of which grants to the Bharat Sewak Samaj were released after 1963-64 onwards for holding these camps.

2.21. One of the conditions to be fulfilled by the Samaj before asking for grants for these camps was that, 'subsequent grant will depend on recommendations received from the Administrative Medical Officers'. The intention of this provision seems to be that the State Family Planning Officers would recommend these camps after making an independent assessment of the results achieved by these camps. But from the copies of recommendations (Appendix VII—Annexure B) received from various States it is apparent that these recommendations were issued on receipt of requests from the Samaj for holding these camps in a routine way without assessing the impact of earlier camps and their achievements. The Committee, therefore, desire that the Ministry should devise a system whereby while recommending the case of an organisation for holding Family Planning Orientation Camps, an assessment of the utilisation of earlier grants, the impact of the camps held in the previous year, the shortcoming etc. should also be brought out by the Officers concerned.

2.22. The Committee also desired to be furnished with a note stating whether other voluntary organisations were also authorised to hold these camps in accordance with the recommendations of the State Family Planning Officers.

2.23. In the note (Appendix VII) submitted at the instance of the Committee, it is stated that "From 1964-65 onwards the grants were sanctioned to all the voluntary organisations in accordance with the recommendations of the State Family Planning Officers. Even prior to this, in some cases, grants were recommended by the State Family Planning Officers". The Committee would urge that the practice in such cases should be uniform in the case of all organisations, every year.

2.24. In reply to a question as to why other voluntary organisations except Bharat Sewak Samaj showed less enthusiasm in conducting these camps, the witness stated that no study was made of this aspect.

2.25. In the detailed note furnished (Appendix VIII) in connection with the list of points relating to the sitting of the P.A.C. held on the 19th July, 1966 by the Department it has been stated that the Department of Community Development was not consulted before the work was entrusted to the Bharat Sewak Samaj. The Committee desired to know the reasons therefor. The witness

stated that the family planning work had two aspects—one of motivation and the other of actual service. Under the motivational part of the aspect, it was felt that apart from Government activities in this matter, there was greater impact on the people's mind if the voluntary organisations took part in the scheme. Therefore, much importance was attached to the part played by those voluntary organisations. Although the Department of Family Planning was maintaining liaison with other Government Departments working in the rural areas, it wanted to give special place to other voluntary organisation in this scheme. The witness further stated that although there was liaison with the Block Development Officer in holding these camps, full help was taken from the Public Health Doctors at the block level, yet the schemes were run by voluntary organisations. It was expected that those who attended these camps would propagate and carry the message with them and spread it so that the whole area got motivated.

2.26. In reply to a question whether the terms and conditions, supervisory charges etc. were uniform in case of all the voluntary organisations, the witness stated that till 1964-65 no condition was imposed in this regard on any voluntary organisation. The only insistence was that *per capita* expenditure should not exceed the stipulated figure of expenditure for this purpose. It was only when the proposals for 1964-65 were being examined that it was discovered that overhead charges of the Bharat Sewak Samaj were high. Only then it was decided that the overhead charges should not exceed 5 per cent to 7 per cent of the gross expenditure. He added that the Bharat Sewak Samaj was complying with this condition.

2.27. The Committee then desired to be furnished with the percentage of overhead expenditure allowed to voluntary organisations (other than Bharat Sewak Samaj) for holding these camps.

2.28. In the note (Appendix VII) furnished at the instance of the Committee, it is stated that "No percentage of overhead expenditure was prescribed while sanctioning grants to voluntary organisations other than Bharat Sewak Samaj". The Committee are surprised to note this. They do not understand why, when it was decided that the overhead charges should not exceed 5 per cent to 7 per cent of the gross expenditure in the case of Bharat Sewak Samaj, it has not been made applicable in all other cases.

2.29. On being asked whether the condition about the issue of subsequent grants to the Samaj and avoidance of duplication of efforts in this scheme were fulfilled by the Samaj, the witness informed the Committee that it was only in the year 1963-64 that

grant was renewed without obtaining utilisation certificate from the Samaj. The reason was that the grant for the year 1962-63 was released in October of that year and it was found impossible to get the utilisation certificate from the Samaj before giving the second grant. So in order to ensure that the work should continue that the second grant for the year 1963-64 was released. The A.G.C.R. was also informed accordingly and the Samaj were also informed that further proposals for holding these camps would not be considered unless accounts, utilisation certificates of the previous years were furnished.

2.30. As regards the duplication of work in this scheme, the Committee were informed that with the help of local committees it was presumed that duplication would be avoided. The witness, however, added that it was only in the first two years that these conditions were not strictly adhered to. On being pointed out that there was no proof to show that duplication of work was avoided, the witness submitted that in motivational work there was no danger from duplication. Even if there was some duplication, it would have greater impact on the people and prove more beneficial. He further added that he did not think that the intention was to take the condition about duplication as a rigid one.

2.31. The Committee pointed out that the total expenditure incurred during the years 1961-62 to 1965-66 on motivational work amounted to Rs. 26,44,000. Out of this, the share of voluntary organisations of all India character was Rs. 16,16,000 and out of that amount the share of the Bharat Sewak Samaj came to Rs. 12,74,000 and in spite of such huge expenditure incurred by the Samaj on this scheme, the progress in family planning was slow. The witness stated "I would not say that" and further added that the momentum in this regard was catching on.

2.32. The Committee note that even after incurring an expenditure of Rs. 12,74,000 on Family Planning Orientation Camps Programme by a single voluntary organisation the momentum was "catching on". They hope that greater efforts would be made by the Department in this regard so that the amount spent are commensurate with the results achieved.

2.33. Coming to the question of expenditure incurred for serving meals to local people at these camps, the witness stated that this expenditure came to the notice of the Department when the accounts of expenditure incurred in connection with these camps, were being examined. The intention of the Department was that

only persons who came from far off places to attend these camps should be provided with meals at these camps. Therefore, in June, 1964 instructions were issued that feeding charges should be incurred at these camps only in respect of people who came from distances and not for local campers.

2.34. The Committee regret to note this irregular expenditure incurred on providing meals to local campers. What is more surprising is the fact that this irregularity was allowed to go undetected for two years and came to the notice of the Department only at the time of examination of accounts relating to these camps. In evidence it was stated that the intention was that only persons who came from far off places to attend these camps should be provided meals at these camps. The Committee fail to understand why, in these circumstances, clear instructions in this regard had not been issued in time and communicated to the authorities concerned. They hope that the correct practice is now being followed by all the organisations.

2.35. The witness, at the instance of the Committee promised to furnish the figures of percentage of gross expenditure incurred by the Bharat Sewak Samaj on supervisory charges during the years 1964-65 and 1965-66.

2.36. The Committee are surprised to find from the note (Appendix VII) submitted that the percentage of gross expenditure incurred by the Bharat Sewak Samaj on supervisory charges during 1964-65 came to 21 per cent of the gross expenditure although in June, 1964 formal orders were issued that supervisory charges should not exceed 5 per cent to 7 per cent. This indicates that the Samaj who had incurred about 22 per cent of the gross expenditure on supervisory charges in 1962-63 had again spent 21 per cent of the gross expenditure on supervision charges in 1964-65 thus violating the orders of Government issued in June, 1964 restricting the expenditure to 5 per cent to 7 per cent. The Committee learn from the notes (Appendix VI) that the Samaj has been asked to refund the excess expenditure incurred on supervisory charges. The Committee would like to be informed of the final recovery of this excess from the Samaj.

2.37. Asked whether the meals were also served by other voluntary organisations to local campers, the witness promised to furnish that information and also the figures of expenditure incurred in their cases.

2.38. The Committee regret to learn that the required information is not available in the accounts submitted by other organisations.

2.39. As regards the local contributions secured by the Samaj for holding these camps, which was one of the conditions the Bharat Sewak Samaj laid down for themselves, the witness informed the Committee that the Department did not have the exact information about this. But on the basis of number of camps conducted by the Samaj from year to year the proportion of expenditure was less because the Samaj was able to secure some local help. The witness, however, promised to furnish the yearwise break up of figure of local contribution secured by the Samaj and also whether these local contributions were up to the target fixed.

2.40. The Committee note that the Adviser Health & Sanitation, Central Bharat Sewak Samaj in his letter dated 5th May, 1962 (Appendix V) had stated that the grant to be given by the Ministry of Health "will be supplemented by local contribution and free facilities and services which will be secured by the Regional Family Planning and Health Committee".

2.41. In the written note furnished at the instance of the Committee (Appendix VII) it has been stated that no target for local contribution was fixed as 100% of grants are sanctioned for orientation camps. However, the note has indicated that some saving has been effected against the permissible expenditure for holding these camps during 1962-63 and 1963-64. According to the note, "a part of these savings can presumably be attributed to the help and the contribution received by the Organisation from the local population in the form of services and other amenities".

2.42. The Committee suggest that the Ministry should ask the voluntary organisations to indicate the amounts of local contributions etc. relating to each scheme.

2.43. Giving the number of camps held from year to year, the witness gave the following figures:—

Year	Camps sanctioned	Camps held
1962-63	200	183
1963-64	517	485
	25	21
	1	1
1964-65	808	732

In 1965-66 the sanction for holding these camps in respect of States of Bihar and Orissa for 60 and 80 camps respectively was given on 7th February, 1966, and for other States which

were able to submit their audited accounts and utilisation certificates the sanction for 583 camps was given on 11th March, 1966. On being pointed out that during 1965-66 there was practically no work, the witness stated that during the earlier period accounts were being collected and preparatory work was also being done. Because of the delayed sanction, time allowed was upto June, 1966 which was extended at their request upto October, 1966. Request for further extension upto December, 1966 was refused. He added that for 1966-67 the grants have been withheld pending discussion.

2.44. In reply to a question whether the Samaj had furnished complete accounts as per the recommendations of P.A.C. contained in their 34th Report, the witness stated that the Samaj had furnished accounts to the Department of Family Planning in respect of grants issued for Family Planning Schemes. He further added that the Planning Commission had informed the Department of Health and Family Planning in June, 1966 that the Samaj had furnished consolidated accounts to the Planning Commission for the year 1962-63, 1963-64 and 1964-65.

2.45. The Committee then desired to know whether any grant had been released to the Samaj between May 1965 when the Department received the 34th Report of PAC and June, 1966. The witness stated that only grants for the year 1965-66 were given in March, 1966. He further added that as a result of a meeting held in May, 1965 it was decided to agree with the Planning Commission in consultation with the Ministry of Finance to release the first instalment of the grant equivalent to the expenditure of the first five months, on the condition that the Samaj would be asked to submit consolidated accounts in compliance with the recommendation of the PAC before asking for subsequent instalments of grant. Towards June, 1966 it was decided at another meeting to extend the time limit for submission of complete accounts for the previous year up to 31st May, 1966 so that the programme being run by the Samaj did not come to a stop.

2.46. The witness added that further instalment of grant was released for 3 months' requirements. Subsequently in consultation with Finance Ministry further instalment representing the requirements for 2 months was released late in March. Time limit for submission of the consolidated accounts was also revised as follows:

Consolidated Accounts for 1962-63, 1963-64 and 1964-65	To be submitted by 31-5-1966.
For the remaining years.	by 30-9-1965.

The Committee thereupon pointed out that a period of six months was allowed to Bharat Sewak Samaj to construct their accounts for all the years, and the Committee would have no objection if any grant was given within this period. But to release grant to Bharat Sewak Samaj after the expiry of the 6 months' time was in contravention of the recommendation of PAC. The witness stated that as far as the accounts of family planning work were concerned, the Department refused to pay grants till the end of financial year and insisted that accounts must be submitted before the release of any further grant. The witness assured the Committee that the Department would fully comply with the Financial Rule. He added in extenuation that the reason for the release of grant after the expiry of the six months' period was that the State Governments were pressing for the release of grants so that the work might not suffer. The witness further informed the Committee that now instructions had been issued so that not a single pie would be sanctioned to the Bharat Sewak Samaj till the whole matter was cleared.

2.47. The Committee are unhappy to note that the grants continued to be released to Bharat Sewak Samaj by the Department despite the failure of Bharat Sewak Samaj to submit their "consolidated accounts" as recommended by the P.A.C. in their 34th Report. In spite of the fact that a period of six months was allowed to the Samaj to prepare their accounts, no satisfactory progress has been made in this regard till now. In view of the fact that sufficient time has now elapsed since when the Samaj was asked to submit their accounts, the Committee feel that unless compliance of the Financial Rule is insisted upon now, it will become much more difficult to ensure compliance with the lapse of time.

2.48. The Committee pointed out that if a grant is not utilised within a financial year, a fresh grant is to be given in the next year. The witness stated that the Department was conscious of this fact. The delay in sanctioning the grant till February, 1966 was due to the fact that the Department insisted on the audited accounts, utilisation certificates, and the recommendations of the State Medical officer. The reason for extending the time for spending that grant till September, 1966 was that it was not possible for the Samaj to spend that amount by the end of March, 1966. Moreover there were difficult conditions in various parts of the country,—draught, floods, due to which camps could not be held.

2.49. The Committee are of the view that the practice of sanctioning a grant for a financial year and then allowing extension of time to spend the amount in the next year should not be resorted to and

only so much of the grant should be paid during any financial year as is likely to be expended during the year.

2.50. Asked whether the Department received reports from State Governments regarding the number of camps held in various States by different voluntary organisations, the witness promised to look into it. The Committee would like to be informed of the number of Family Planning Orientation Camps held in various States by different voluntary organisations during the last three years. The Committee are also of the opinion that it is desirable to have periodical reports from the State authorities about the effect of such camps being held.

2.51. Referring to page 4 of detailed note (Appendix IV) received the Department, the Committee enquired whether the accounts of individual camps held by the Samaj were being audited by chartered accountants. The witness replied in the affirmative.

2.52. Asked about the approximate expenditure per camp the witness stated that it was Rs. 5 per person. As regards the charges of chartered accountants the witness stated further that there was a representation by the Samaj that it would be very hard on them if accounts of all the individual camps were got audited by a chartered accountant. So the witness stated that it was decided that only accounts of certain per cent of camps held should be got audited as a choice test.

2.53. The Committee feel that it is not necessary to have the accounts of each individual camp audited by Chartered Accountants in view of comparatively small amount of expenditure per camp. They are, however, of the view that test checks of a certain percentage of camps in an area by a chartered accountant should be insisted upon.

2.54. Explaining the position regarding counter signature of utilisation certificates by Health Officers or by Family Planning Officers, (as mentioned in the Audit Para), the witness stated that the idea behind this was to get certificates from the State authorities about the type of camp held and the quality of work done in those camps. After the accounts were prepared and audited the State Family Planning Officer should certify by counter-signing that the moneys have been properly utilised. In the years 1962-63 and 1963-64 the system in the Bharat Sewak Samaj was that all the accounts relating to these camps were got consolidated and audited in Delhi and submitted to Municipal Health Officer for his counter-signature as

a token of his subsequent check. But now, the witness stated that the State Family Planning Officers were counter signing those accounts. This was done, apart from the theoretical check to know whether any fruitful work had been done as a result of these camps. Asked whether the Government were satisfied that this work was being done properly, the witness stated "I have yet to see a little more of it".

2.55. The Committee cannot but observe that the practice of getting the amounts relating to these camps counter-signed by the Municipal Health Officer of Delhi Municipal Corporation was meaningless. They are glad to learn that his practice has since been given up.

2.56. The Committee are also not satisfied with the present procedure whereby the State Family Planning Officers stationed at various State capitals are required to counter-sign the utilisation certificates in respect of Family Planning Orientation Camps held at various centres in the rural areas. They feel that State Family Planning Officers sitting in State capitals are not in a position to check the position, not being on the spot. Therefore, in order to assess whether the work done at these camps was fruitful, apart from the checking of accounts, there should be also an assessment of the achievement and on the spot check. For this purpose the Local Medical Officers attached with these camps would be in a better position to make proper assessment of the achievement.

2.57. The witness stated that they were thinking in terms of bringing in another corrective in their motivational programme. The motivator will be given a coupon book and one copy of the counter foil will be kept by him and the other copy will be given to the person whom he claimed to have motivated. That person should report for service within a month or so to a clinic. Only then it would be considered that the motivational work has been successful.

2.58. The Committee would like that the new corrective measure adopted should be given a fair trial and the progress watched.

2.59. The Committee enquired whether the Department had released any grants to any other voluntary organisation during 1966-67. The witness stated that for motivational camps grants were issued to Bharatiya Gramin Mahila Sangh and to honorary educational leaders in various States. The amount paid to Bharatiya Gramin Mahila Sangh for the current year as Rs. 40,000. When the Committee suggested that the Government should have reports of performance, the witness stated, "I can assure you that I am as anxious

as this august body to see that every single paisa is fully and wholly utilised”.

2.60. The Committee enquired whether, in view of the huge grants amounting to Rs. 27 lakhs given in connection with these camps, the Department proposed to hold an overall review to find out the achievements vis-a-vis the amount spent. The witness stated that it was very difficult to assess the exact quantum of impact of any particular organisation or particular efforts. He added that, “Overall impact can be assessed. The cumulative effect is there” and “In the last few months the progress was somewhat slow. But the sterilisation programme is making a great progress. Number of conventional contraceptives is increasing”.

2.61. Asked whether having spent Rs 27 lakhs it could be said that they had approximately achieved the result, the witness replied in the affirmative. He added that there were 10 centres which used to report to the Department about the impact of this programme but these were being increased to 20 and they would be wide-spread throughout the country. The Committee were further informed that there were three ways of evaluation of the impact of the programme. One was the concurrent evaluation taking place at various levels where computer and other staff was provided for the purpose. Secondly, there was the diagnostic study, demographic study and communication—action research and Medical and Biological Research. Thirdly, there was evaluation by independent organisation like National Institute of Health Administration and Education in collaboration with the Evaluation Organisation of the Planning Commission and Central Family Planning Institute.

2.62 The Committee feel that there is much leeway yet to be made in the matter of family planning and therefore the efforts of the Department should be to see that the Family Planning Orientation Camps are properly organised and run in the most efficient and economical manner, avoiding any duplication of efforts.

MINISTRY OF INFORMATION & BROADCASTING

Jan Jagran Programme—para 136(ii), page 162.

2.63 Grants amounting to Rs. 3.34 lakhs were paid by the Ministry of Information and Broadcasting for implementation of the Jan Jagran Programme during 1963-64 (cf., paragraph 86 of Audit Report. (Civil), 1964 for the earlier period.).

The extent of Government assistance varied from 66 to 95 per cent of the gross expenditure on the schemes included in the programme, viz., 'Mass contact scheme', 'Bharat Sewak (a Journal)', 'Brochures' and 'Bulletins' and the Samaj was to raise the balance by way of donations from the public, sale of publications, etc. The Samaj could not, however, raise its full share of contribution and the accumulated shortfall during 1959-60 to 1963-64 amounted to Rs. 1.39 lakhs. This short-fall was met either by utilising temporarily the unspent balances of the grant or by raising loans. It has been stated (December, 1965) that a decision has been taken to make an ad hoc payment to the Samaj for wiping out the deficit, as the Samaj had represented that the condition of raising matching grants was beyond its capacity.

2.64. Recoveries on account of advertisement charges, sale proceeds of books, etc, amounting to Rs. 1.13 lakhs and relating to the period 1959 to 1964 were outstanding against various parties in December, 1965. Out of this, about Rs. 0.70 lakh was reported to be irrecoverable. Advances aggregating Rs. 5,785 (Rs. 3,854 not recoverable) paid during 1961-62 to different parties were also outstanding upto December, 1965.

2.65. As desired by the Committee, the Ministry of Information and Broadcasting have furnished notes on certain points on the Audit para. The notes are at Appendix IX.

2.68. The Committee at the outset asked the reasons for releasing grants to the Bharat Sewak Samaj without their submitting the consolidated accounts as required under the recommendation contained in the 34th Report of the P.A.C. (Third Lok Sabha). The Secretary, Ministry of Information & Broadcasting referred to the note (Appendix IX, submitted to the Committee in which the circumstances under which the grant was given to the Samaj were explained as follows;

- (i) Government did not consider it desirable that the publicity programmes which were being implemented through the Samaj should come to a standstill.
- (ii) It was also feared that if no grant-in-aid was given, some 200 trained workers of the Samaj would be thrown out of employment, which would cause serious hardship to them.

2.67. The witness further added that the grant for the year 1965-66 had to be released by the Ministry of Information & Broadcasting in consultation with and with the approval of the Planning Commission and the Ministry of Finance who directed the Ministry to give

the grants. He admitted, however, that though they had given this grant only on the strength of the advice of the Ministry of Finance and the Planning Commission "but the responsibility for giving the grant inspite of the fact that the consolidated accounts had not been given, was certainly our Ministry's".

2.68. On being pointed out that the Samaj had not so far submitted their consolidated accounts the witness informed the Committee that since the sitting held on 19th July, 1966, when the P.A.C. took up this para for consideration, it had been directed that no further grant should be released to the Bharat Sewak Samaj till the recommendations of the 34th Report of P.A.C. were complied with. The Committee were further informed that as a result of the directive issued from the Ministry of Finance to all the Ministries, to economise in their budgets, the Ministry of Information & Broadcasting also on 31st August, 1966 informed the Planning Commission in the following terms:

"As you are aware, we had made no provision for grants-in-aid to voluntary organisations for Plan Publicity during the current financial year."

Similarly the Bharat Sewak Samaj was also informed in the following terms:

"I am directed to say that utmost need for economy has cast a very heavy burden on this Ministry necessitating curtailment of even the normal activities of various media units of this Ministry. This Ministry has therefore, reluctantly decided to discontinue the grant-in-aid to the social welfare agencies including the Bharat Sewak Samaj for Plan Publicity."

2.69. The witness further added that the fact about the P.A.C.'s disapproval of the issue of grants to the Samaj without their having submitted the consolidated accounts, was not intimated to the Samaj because the Planning Commission was going to take up the issue of submission of consolidated accounts with the Samaj itself.

2.70. In reply to a question whether it occurred to the Ministry that it had decided to release the grants to the Samaj in contravention of the recommendations of the P.A.C., the witness stated that the recommendations of the 34th Report of the P.A.C. were taken into consideration by the Planning Commission and the Ministry of Finance before the directive to release further grant to the Samaj was given.

2.71. The Committee while pointing out that grants could be given to the Samaj during the period of six months provided for 2527 (Aii) LS—4.

the preparation of their consolidated accounts, desired to know as to what was the justification for releasing the grant to the Samaj after the expiry of that period. The witness stated that the only justification for the release of the grant to the Samaj was that the Planning Commission thought that the continuing programme of the Samaj should not be interrupted for lack of funds. The grant was released on the assurance given by the Bharat Sewak Samaj that they would submit their accounts. Therefore it was suggested that the Ministry of Information & Broadcasting should continue to give support to their activities. In this connection the witness read out the reply received by him from Secretary, Planning Commission dated the 20th September, 1966 requesting him to reconsider the question of releasing the grant to Bharat Sewak Samaj. The Committee pointed out that the letter from the Planning Commission did not touch upon the point of consolidated accounts.

2.72. The witness further added that in case the payment of grant was stopped to the Samaj the Planning Commission felt that the publicity work done by the Samaj would come to a stop and it would also result in unemployment of the persons engaged in this work. The Committee thereupon pointed out that if on these grounds the grants were continued to be given to the Samaj then it would be extremely difficult to get consolidated accounts from the Samaj.

2.73. The witness informed the Committee that the Ministry of Information & Broadcasting had informed the Planning Commission that until the Samaj had submitted their consolidated accounts, the Ministry of Information & Broadcasting would not be in a position to release any grant to the Samaj.

2.74. As regards the progress made in the submission of consolidated accounts by the Samaj, the witness stated that the Samaj had submitted their accounts for the period 1953-54 to 1961-62 only in respect of grants received by the Samaj from the various Ministries and Departments of Government of India. The Samaj had also furnished consolidated and audited statement of accounts in respect of grants received by them from all the sources for the years, 1962-63, 1963-64 and 1964-65 excluding their construction Wing. The Committee then pointed out that the General Financial Rule required that accounts of previous years not only in respect of grants received by the Samaj should be submitted but also accounts of the total volume of money handled by the Samaj should be submitted before the grant for the next year is asked for. The witness admitted this and added that until this was done the Ministry of Information & Broadcasting would not give any more grant to the Samaj even if the

Ministry of Finance allocated funds for grant to Bharat Sewak Samaj.

2.75. The Committee regret to learn that the Ministry of Information & Broadcasting, the administrative Ministry, continued to release grants to the Bharat Sewak Samaj as directed by the Planning Commission without the Samaj submitting their consolidated accounts as required under the Financial Rules and as per recommendation of the P.A.C. in their 34th Report (Third Lok Sabha) within a period of six months given to the Samaj for submission of their consolidated accounts.

2.76. While the Committee are glad to be assured by the Secretary of the Ministry of Information & Broadcasting that no further grants would be released to the Samaj until the provisions of the G.F.R. were complied with by that body, they would impress upon the Ministry that an organisation which received huge grants from Government should be in a position to comply with the requirements and conditions of the grant. The greater the delay in obtaining the consolidated accounts the greater will be the difficulty in getting them.

2.77. When the witness stated that the Bharat Sewak Samaj and the Planning Commission had enumerated the difficulties in submitting the consolidated accounts, the Committee pointed out that any organisation which could spend money, could also prepare the accounts. The Committee also pointed out that the P.A.C. had provided a period of six months for meeting the difficulties coming in the preparation of consolidated accounts.

2.78. The Committee referred to the note (Appendix X.) furnished by the Ministry and enquired whether the views of the Ministry of Information and Broadcasting on the difficulties, that due to change in convenorship of the Samaj it was difficult for them to prepare the consolidated accounts, were communicated to the Planning Commission or to the Ministry of Finance. The witness stated that this fact was not communicated to them in writing. The Committee were further informed that the Planning Commission had appointed a sub-committee which had also expressed concern from time to time over the way the sponsorship of convenorship of the Samaj had been conducted.

2.79. In reply to a question the witness stated that they had not asked the Bharat Sewak Samaj to supply the consolidated accounts at the Report of P.A.C. on receipt was referred to the Planning Commission who were asked to take action being the operative authority.

2.80. The Committee are not convinced with the argument that due to change in the convenorship of the Samaj, it was difficult for them to prepare their consolidated accounts. The Committee fail to understand as to how the change in convenors could be a hindrance to the preparation of consolidated accounts of the Samaj. If such a contention is accepted, the Committee wonder whether in that case the Ministries of Government would ever be able to enforce compliance of the financial rules from the recipients of grants-in-aid.

2.81. The Committee are also not satisfied with the procedure adopted by the Ministry of Information and Broadcasting regarding submission of the consolidated accounts by the Samaj. Apart from the Planning Commission, it is mainly the responsibility of the Administrative Ministries releasing the grants to take up this matter direct with the grantee.

2.82. The Committee desired to know as to why the work of plan publicity was given to the Bharat Sewak Samaj only, when there were other media available for the purpose. The witness stated that in any programme of economic development or social development the efforts of the Government alone could not bring in the full results. There must be participation of the public so that the public might feel that the people who made sacrifices were also coming to propagate the message of certain economic & social development programme. It was in this respect that the role of voluntary organisations was realised. So, after 1947 it was decided that the assistance of voluntary organisations should be taken in propagating the Plan. The witness further added that any plan publicity work done by Government agencies would have but a limited approach, and however great the coverage of that approach its credibility is limited. On the other hand a voluntary organisation would increase and expand the credibility of the Plan because a voluntary organisation was free to answer many questions much more freely and without reservation than a Government Organisation could. He however added, "I would still feel—whether you give grants to Bharat Sewak Samaj or not—that there is a case to give grants to voluntary organisations to further Plan Publicity."

2.83 As regards the question of entrusting the work of plan publicity to the newspapers the witness stated that the total circulation of newspapers in the country was about 2 million as compared with the population of 490 million. Moreover, the literacy rate of the country was only 20 per cent. Therefore the newspapers could not be the best medium for Plan Publicity work. So the work of plan

publicity was entrusted to Bharat Sewak Samaj so as to enable them to engage the public in a debate and discussion and communicate the message of Plan to the community at large.

2.84. Asked whether the Ministry of Information & Broadcasting was satisfied with the Plan publicity work done by the Samaj, in view of the fact that the Samaj had been doing its own publicity more than the Plan publicity, the witness stated that it might be a report of one of the Committees which the Ministry of Information & Broadcasting was requested to work upon. Asked whether the Ministry were now satisfied with the work done by the Bharat Sewak Samaj, the witness stated "One can never be fully satisfied." He added "certainly we are aware that the Bharat Sewak Samaj as a means of publicity and organisation cannot be the best of any organisation. It has its difficulties."

2.85. The Committee then read an extract of the letter from the Ministry to Bharat Sewak Samaj, referred to by P. A. C. in their 34th Report (Third Lok Sabha) wherein it had been stated *inter-alia* that while most of the brochures issued during the period of review "deal with the objective of and activities of the Bharat Sewak Samaj, they are not in conformity with the objects for which central subsidy is paid to the Jan Jagran Group, namely to supplement Plan Publicity programmes."

2.86. The witness informed the Committee that he had personally reviewed 62 or 63 pamphlets produced by the Bharat Sewak Samaj and had found that out of these pamphlets in 10 or 12 the image of the Samaj has been projected far more than the Plan Publicity. In about 50 pamphlets the Plan Programme itself was projected much more than the image of the Bharat Sewak Samaj. Therefore the Samaj was asked to withdraw from circulation those 10 or 12 pamphlets. According to the reply furnished by the Ministry on the recommendation of P.A.C. made in their 34th Report (Third Lok Sabha) the Samaj had appointed a Committee for the purpose of vetting all the manuscripts of all the pamphlets and journals of the Samaj. Two officers of the Ministry were also represented on this Committee. The witness added that it was hoped that prior scrutiny of the manuscripts would ensure that only such publications as have a bearing on the Plan publicity would be brought out by the Samaj.

2.87. In view of the unsatisfactory Plan publicity work done by the Samaj in previous years and in view of the facts disclosed in the

recent review of about 63 pamphlets by the Secretary of the Ministry that in about 10 publications the image of the Bharat Sewak Samaj had been projected far more than the Plan publicity, the Committee feel that proper check should be exercised on the activities entrusted to the Samaj by the Government so as to ensure that the Samaj carries on the job efficiently and economically.

2.88. With the association of two representatives of the Ministry with the Sub-Committee set up by the Bharat Sewak Samaj for prior scrutiny of the manuscripts of all the pamphlets of the Samaj, it is hoped that only those pamphlets would be brought out as have a direct bearing on Plan Publicity.

2.89. The Committee then referred to a portion of note (Appendix. IX) received from the Ministry which was as follows: "The question of an *ad hoc* grant to the Samaj for wiping out the deficit accumulated due to the imposition of the condition of matching contribution of 17½ per cent by the Bharat Sewak Samaj during the years 1959-60 onwards was considered at a meeting held in this Ministry in June, 1964 and it was decided in principle to give an *ad hoc* grant to the Samaj for the purpose. The actual amount of deficit was to be worked out by the Sub-Committee of the Co-ordination Committee on Public Co-operation and thereafter the final orders of Government were to be obtained. The aforesaid Sub-committee has recommended at the meeting held on the 5th May, 1966 that payment may be made to the Samaj for wiping out the deficit."

2-90. The witness informed the Committee that the Ministry of Information & Broadcasting had disregarded the recommendations of that Sub-Committee. He added that this Sub-Committee of Co-ordination Committee on Public Co-operation which was set up on the recommendations of the Planning Commission, had recommended the payment of *ad hoc* grant to the Samaj after the Bharat Sewak Samaj had made a representation to the Planning Commission that the Samaj was suffering from lack of funds. In reply to a question the witness stated that Sub-Committee of Co-ordination Committee was fully aware of the recommendation of the P. A. C.

2-91. The Committee desired to be furnished with a note explaining the circumstances under which the Sub-Committee of the Co-ordination Committee on Public Co-operation was appointed. They also desired to be furnished with the minutes of that Sub-Committee meeting held on 5th May, 1966. The information is at Appendix XI.

2-92. In reply to a further question, as to how Audit was informed that a decision had been taken in December, 1965 to make an *ad hoc* payment of grant to wipe off the deficit as recommended by the Sub-

Committee of Co-ordination Committee on Public Co-operation when it was now being stated that no decision has been taken, the witness stated that the payment of *ad hoc* grant had been accepted in principle but actually no payment had been made in this regard. The witness however promised to furnish a note giving the basis on which it was decided to make *ad hoc* payment to the Bharat Sewak Samaj for wiping out the deficit. The note furnished is at Appendix XXII.

2.93. The Committee find from the note (Appendix. XI) that a Sub-Committee of the Co-ordination Committee on Public Co-operation was appointed in pursuance of the recommendation contained in 34th Report of P. A. C. (Second Lok Sabha), which required that early decision should be taken on the question of channelising all the grants given by the Government to the Bharat Sewak Samaj through a single Ministry. The view of the Ministry of Finance and Planning Commission on this point was that a Sub-Committee with representatives of the Ministry of Finance, Planning Commission and Central Ministries may be appointed to review periodically the grants given to the Bharat Sewak Samaj and to ensure proper co-ordination in the grants given by the various Ministries and to avoid overlapping and duplication of efforts. It was with this end in view that this Sub-Committee was appointed.

2.94. The Committee regret to find from the Minutes of the Sub-Committee of the Co-ordination Committee on Public Co-operation held on 5th May, 1966 that while the issue of grants to wipe out the deficit, reduction in the percentage of matching grants to be raised and non-curtailement of allocations for Plan publicity to the Bharat Sewak Samaj was decided upon, there was no insistence to ensure the submission of consolidated accounts by the Samaj.

2.95. With reference to the matching grant of 17½ per cent which was stated in the (Appendix IX) note of the Ministry to have proved beyond the resources of the Samaj, the Committee were informed that this condition had been liberalised. It was further mentioned in the note that the terms for grant in aid to the Samaj were liberalised for the year 1962-63 and they ranged from 75 to 95 per cent of the gross expenditure on the four schemes as shown below:

Scheme	Percentage of gross expenditure
1) Mass Contact	95%
2) Brochures	75%
3) Bulletins	75%
4) Bharat Sewak Journal	75%

2.96. The Committee were further informed that from 1963-64 the percentage of gross expenditure to be provided in case of Bharat Sewak Samaj Journal was reduced to 66 per cent from 75 per cent.

2.97. In reply to a question the witness stated that the grant-in-aid was reduced to 66 per cent of the gross expenditure in respect of Bharat Sewak Samaj Journal which was a revenue yielding item. The maximum liberalisation of matching grant of 95 per cent was provided in case of scheme of "Mass contact", which was non-revenue yielding.

2.98. The Committee were further informed that during 1962-63 and 1963-64 the Samaj were able to raise the matching grants more than they were expected to do in respect of sale of brouchures, bulletins and 'Mass Contract.'

2.99. From the facts disclosed the impression of the Committee is that the percentage of matching grants to be raised by the Samaj itself was decided either without taking into consideration the capability of the Samaj to raise such share, or that in order to obtain the grants from the Government, the Samaj knowing by showed their capacity to raise matching grants at a much higher percentage than was really possible.

2.100. The Committee find, however, from the Minutes of the Sub-Committee of the Co-ordination Committee on Public Co-operation dated 5th May, 1966 that the representative of the Ministry of Information and Broadcasting had pointed out that the average collections by the Samaj during the preceding three years on Plan publicity, was over 20 per cent. In these circumstances, the Committee feel that liberalisation of the condition of matching grants was not justified.

2.101. The Committee desired to know the reason for non-recovery of the amount of Rs. 1.13 lakhs for the period 1959 to 1964 on account of advertisement charges, sale proceeds of books etc. The witness stated that the Bharat Sewak Samaj had made it clear that the amounts in respect of advances included in the amount of Rs. 1.13 lakhs were not included in the declared expenditure. The Samaj, after including this amount in the expenditure, would claim the grant. The question of payment will arise only when the bills were received and advances adjusted.

2.102. As regards the balance still outstanding on account of advertisement charges and sale proceeds of books etc., the witness

stated that the actual amount outstanding was 87,171. The outstanding amount on sundry advances was Rs. 7,979, against which the recovery during 1964-65 was Rs. 2,189 and during 1965-66 it was Rs. 26. Therefore the total out-standing at present was Rs. 5, 764.

2.103. The Committee are surprised to find that the amount of Rs. 87,171 on account of advertisement charges, sales proceeds of books etc. and Rs. 5.764 on account of sundry advances, for the period relating to 1959—64 are still pending recovery. What is more surprising is the fact that as stated in Audit para a sum of about Rs. 74,000 was reported to be irrecoverable. Since a large amount of Rs. 0.74 lakh out of Rs. 1.13 lakhs is reported to be irrecoverable, the circumstances under which the amount became irrecoverable need looking into. The Committee would like to know the latest position of outstandings.

III

MINISTRY OF IRON AND STEEL

Iron and Steel Equalisation Fund, Para 104, pages 115—119.

3.1. With the abolition of control on the price and distribution of a major number of steel items with effect from 1 March, 1964, and with the setting up of the Joint Plant Committee to look after the work of planning, production and distribution of steel, there have been no new transactions under the Fund accruals to and payments from the Fund arising from all previous transactions, however, continue to be adjusted with the Fund.

3.2. The Joint Plant Committee started functioning only with effect from 1 August, 1964; the work relating to planning of indents in the meantime continue to be handled by the Organisation of the Iron and Steel Controller. Government stated in January, 1965, that the question of levying any charge against the Committee for the services rendered by the Iron and Steel Controller's Organisation would be examined after the transfer of full work to the Committee. No decision in this respect had been taken till December, 1965.

3.3. The Committee is being financed from a levy of Re. 1 per tonne, which it has been allowed to charge with effect from 1 March, 1964, from the main producers of steel on all despatches of both controlled and decontrolled categories of prime quality steel. The question of according a legal status to the Committee was stated to be under examination (August, 1965).

3.4. An account of the receipts into and the payments from the Fund during 1964-65 and a balance sheet on 31 March, 1965 are reproduced in Appendix XIII to this Report.

A summarised account of receipts and payments for the last two years is given below:—

(In lakhs of rupees)

Receipts	1963-64	1964-65	Payments	1963-64	1964-65
Opening cash balance		6,495.98	6,307.62 Payments due to increase in the retention prices allowed to the main producers and adjustment on account of Railway freight on despatchers made on f. o. r. destination basis.	1,294.83	930.56
Surcharge on steel produced in India.		1,275.99	1,085.00 Payments of subsidy on imported steel	37.62	55.46
Surcharge on imported steel		55.22	89.51 Payments of subsidy on steel exported.	0.41	5.61
Other miscellaneous receipts		12.83	6.54 Other miscellaneous payments	109.54	72.15
			Closing cash balance	6,307.62	6,424.89
TOTAL	7,750.02	7,488.67	TOTAL	7,750.02	7,488.67

3.5. The Committee desired to know whether any decision had been taken in regard to the question of levying any charge against J.P.C. for the services rendered by the Iron and Steel Controller. The Secretary of the Ministry stated that the decision to set up a J.P.C. was taken by the end of February, 1964 and the Committee was set up on 1st March, 1964. Since J.P.C. was bound to take some time to get full knowledge of the work, the Iron and Steel Controller's organisation continued to perform the work of steel control till the Committee had developed sufficient strength of organisation to take it over. In these circumstances, it was felt by the Ministry that it might not be justified to recover any money from J.P.C.

3.6. The Committee asked if the Joint Plant Committee collected any amount from the producers of steel during this period i.e. March, 1964 to August, 1964, when the work was taken over by the J. P. C. only partially. The witness stated that steel producers were allowed to charge one rupee a tonne from the consumers which they passed on to JPC for its organisational expenses. The witness also stated that charge of rupee one per tonne was found to be more than what was needed to meet the expenses of J. P. C. and some means were found out to syphon off the extra money which the J.P.C. had collected. For that purpose it was unnecessary for the Steel Control Organisation to recover any money from the Joint Plant Committee.

3.7. Since the recovery at the rate of rupee one per tonne had been made by the main producers during the period March, 1964 to August, 1964 and the same has been passed on to the J.P.C. for its organisational expenses, the Committee feel that a recovery should be made from the J.P.C. for the expenditure incurred on the establishment of the Iron and Steel Controller doing the work of the J.P.C. during the period March, 1964, to July 1964.

3.8. Asked for the justification of continuing the office of the Iron & Steel Controller since control on price and distribution of a major number of steel items had been removed, the witness stated that there were quite a number of categories of steel items which were still under control and the Iron and Steel Controller had the statutory authority to look after the price control and distribution of these items. The Committee pointed out that a department which was created at the time of stress for a temporary purpose had assumed the character of permanence and desired to know whether the work of the Iron and Steel Controller's Organisation could not be

done by the Ministry. The witness stated that with the gradual decontrol, the amount of work to be performed by this office was being reduced and the staff was also being reduced correspondingly. A Committee under the Chairmanship of Shri R. K. Khadilkar, M.P. had been appointed to go into the whole question of Iron and Steel Control Organisation and to suggest what further reorganisation of the office was necessary. The complete report of the Committee was awaited. At the instance of the Committee, the witness agreed to furnish a note stating whether there had been any reduction in the number of staff in the office of Iron and Steel Controller since August, 1964 when the work of planning, production and distribution of steel was transferred to J.P.C. This note* has been furnished.

3.9. The Committee note that during the period from 1st August, 1964 till 30th July, 1966, the strength of the staff of the office of the Iron and Steel Controller was reduced by 121 persons belonging to classes II, III and IV. They hope that a constant watch would be kept over the staff requirements in the organisation of Iron and Steel Controller and further economies effected as the work load decreases.

3.10. Asked whether any action had been taken to implement the recommendations of the Committee made in paras 6.26 and 6.27 of their 54th Report (Third Lok Sabha), the Committee were informed that the Government after examining the matter in detail came to the conclusion that it was neither necessary nor desirable to constitute JPC into a statutory Committee and that JPC should be formed into a company under Section 25 of the Companies Act. It would be more or less an association and it would be possible for Government to give various directions to this company.

3.11. In reply to a question, the witness added that JPC could not be registered under the Society's Registration Act as it had no charitable or literary purpose. As regards giving JPC a statutory status, discussions were held with the main steel producers who wanted it to be completely free from Government control and to have for themselves complete power and control over it. The Government on the other hand felt that in the present circumstances the statutory powers of controlling the JPC could not be given to main producers of steel, The Ministry of Law was consulted and it was agreed that it was definitely not appropriate to constitute the JPC into an ordinary company and on their advice it was decided to constitute

*Not vetted by audit.

it into a company under Section 25 of the Companies Act, as that would enable them to achieve the objective without being encumbered by the complications of Company Law. He also added that in regard to decontrolled commodities, the producers had the right to sell at a price as they liked and if they included an element of Re. 1/-, 50 paise or 25 paise for certain specific purpose, they could do so. In other words, the Government held the view that the JPC was not authorised to levy any cess and it was not levying any cess. The main producers were making a grant or a donation to JPC which had no powers to levy any cess, nor the Government had given them any power to this effect. On being informed that JPC was a voluntary organisation, the Committee while citing the example of the Export Promotion Fund operated by the Indian Cotton Mills Federation pointed out that there was a tendency on the part of the Government to create an organisation which they called voluntary or 'unofficial' yet the organisation was clothed with powers not according to any schedule but indirectly to collect or levy a tax or cess on the people and to keep it outside the Consolidated Fund of India and to appropriate it in any manner they liked. The Committee pointed out that this practice was unhealthy which might at a later date generate serious consequences. Asked why the Government could not give to the statutory body the same powers which they would have given to a voluntary organisation, the witness stated that the main producers were somewhat reluctant to accept these powers in a Statutory Committee, because they would not be able to dissolve it any time as in a voluntary organisation. The producers were agreeable to have a statutory body with complete powers and full authority to fix prices even of the controlled categories while the Government did not like to give these powers. If these powers were not given the producers would prefer to have a voluntary organisation rather than a Statutory Body. He also added that Government would have a statutory body after steel was completely decontrolled. Since there was partial control, the Government felt that it was not the right time to go in for a Statutory Committee as the decontrolled items could be handled by J. P. C. and the controlled items by the Government. The witness, however, stated that they were not conceding any powers to main producers under the Company from which they would not concede under the statutory form. The Committee pointed out that whatever powers the Government wanted to give to JPC under the Companies Act, could very well be given to a Statutory body because Parliament could exercise better control over a Statutory body. The witness stated that Parliamentary control could be secured through proper reservation under section 25 of the Companies Act. It was also intended that it should be pro-

vided that the reports of the company should be laid before Parliament and they could be discussed. As the ultimate sanction to dissolve this body would be with the Government, it was certain that they would not do whatever they liked. The Committee pointed out that it would be better to constitute it *abinitio* on a sound footing which would satisfy the requirements of public accountability. As regards the composition of the company, the Committee were informed that it was being discussed in detail, while the producers would like it to be a company of producers only, the Govt. felt that it could not give it the right of control for sometime without having some representatives of the consumers. In case the company disregarded the terms and conditions, the Government could make the Iron & Steel Controller a member, associate a Financial Adviser or withdraw the power of distribution from the company. He, however, agreed that under Section 25 of Companies Act, these powers were extremely limited.

3.12. The witness also stated that it was not possible for Government to force any private producer to act in a particular manner. The Government, however, wanted to exercise certain measure of regulation on decontrolled categories in an indirect way as they had lost the power to issue directive on them. The Committee pointed out that where a directive had to be given, it should be ensured that it was abided by and not left to the sweet will of the organisation to whom it was issued. Under Section 25 of the Companies Act, Government would have no right whatsoever to give direction except that when the company wanted a licence, it could be asked to delete the word 'limited' or 'private Limited'. If the company did not like the terms of the Government it could put the word 'limited' and would not care for the Government's direction at all. The Committee desired to know since private producers were prepared to accept a company with certain powers and functions under section 25 of the Companies Act, what disadvantage it would accrue to them if a Statutory body with same functions, duties and responsibilities was formed. The witness stated that the producers did not like a statutory body with limited powers and the Government did not like a statutory body with very wide powers.

3.13. The Committee are not convinced with the arguments given in evidence that constituting J.P.C. into a section 25 company under the Companies Act would be an ideal solution to give a legal status to the J.P.C. As the J.P.C. would be collecting a contribution of rupee one per ton or so from the main producers, the Committee feel that it is not quite a correct principle to give such powers to collect

a compulsory levy to a company form of organisation. The Committee do not appreciate the plea given in evidence that the J.P.C. had no powers to collect a compulsory charge and it is only the main producers who collect a little additional amount and pass on the same to the J.P.C. In the opinion of the Committee, the authority to collect a compulsory charge assumes a colour of a tax by whatever name called and hence it should not be entrusted to a company.

3.14. The Committee, therefore, are of the view that the best solution to this problem is to place the J.P.C. on a statutory footing as already recommended by them in para 35 of their 39th Report and para 6.27 of their 54th Report (Third Lok Sabha). Even in evidence, it was stated that Government are not against forming J.P.C. into a statutory body as such, but they would like to have it only after steel has been completely de-controlled and in the meantime, they propose to have a company form of organisation. The Committee, however, feel that the interim arrangements proposed to be made by the Government do not in any way supplement their ultimate objective of constituting J.P.C. into a statutory body. The Committee further learn from a note furnished by the Ministry that among the main producers, H.S.L. are in favour of a statutory constitution for J.P.C. rather than a company form of organisation under the Companies Act. The Committee feel that the Government can give the same powers to the J.P.C. as the statutory organisation, as they would like to give it to Section 25 company under the Companies Act. The Committee have not been given any convincing argument for not accepting their previous recommendations and also no strong case has been made out in favour of section 25 Company. In view of this the Committee would like to reiterate their earlier recommendation that the J.P.C. should be converted into a statutory body.

Sundry Debtors—Para 104(A), pages 116—18.

3.15. The outstanding against 'Sundry Debtors' amounted to Rs. 787.73 lakhs as on 31 March, 1965. A year-wise analysis of this figure is given below:—

Year to which outstanding relates	Amount (In lakhs of rupees)
Upto 1961-62	50.91
1962-63	81.47
1963-64	228.77
1964-65	426.58
	<hr/> 787.73

The categories under which the due fall and the position regarding their realisation as at the end of October, 1965, are given below :—

	Amount out- standing at the end of March, 1965	Amount which still remains outstanding at the end of Oct. 1965	Amount out of (3) which relates to the period upto March, 1964	Remarks
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(1) (2) (3) (4) (5)

(In lakhs of rupees)

(i) Surcharge from main producers. 330.06 194.61 12.46 Government expect (December, 1965) that after the adjustment of the net claims on account of 'war risk insurance' of the main producers amounting to Rs. 149 lakhs (a decision in respect of which was taken in Nov., 1965), the dues would be substantially reduced.

These figures do not include Rs. 2.16 crores due as freight surcharge from the Tata Iron and Steel Company and the Indian Iron and Steel Company for the period from 1 May, 1949 to 10 June, 1956, recovery of which was effected by Govt. during December, 1963 to March, 1964 provisionally pending final settlement.

(1)	(2)	(3)	(4)	(5)
[In para 6 of their 12th Report (3rd Lok Sabha) the Public Accounts Committee (1962-63) had desired finalisation of this matter without further delay but the question has not been settled so far (December, 1965)].				
(iii) Dues against re-rollers	235.67	223.27	195.98	The amount of Rs. 182.58 lakhs includes Rs. 123.70 lakhs outstanding against eight parties which owe more than Rs. 5 lakhs each. One of the parties is the Mineral and Metal Trading Corporation of India Limited which alone accounts for Rs. 33.42 lakhs.
(ii) Surcharge on imported steel	215.90	182.58	105.56	
(iv) Dues from controlled stockists	2.64	2.10	1.89	Three cases involving Rs. 1.65 lakhs relating to the period from 1952-53 to 1963-64 are <i>sub judice</i> .
(v) Sundry dues	3.46	0.15	0.15	

3.16. In addition to the dues mentioned above, an amount of Rs. 152·95 lakhs (estimated) was also outstanding for recovery in respect of which the claim bills had not been issued to the parties concerned by the Iron and Steel Controller. This amount had been reduced to Rs. 19·52 lakhs in December, 1965.

3.17. The Committee were informed that outstandings under this head had been substantially liquidated. The latest position as on 30th June, 1966, was that a sum of Rs. 152 lakhs was outstanding as against Rs. 787·73 lakhs as on 31st March, 1965, total recovery upto 30th June, 1966 was to a tune of Rs. 677·23 lakhs and this included a sum of Rs. 635 lakhs on account of recovery of dues outstanding upto 31st March, 1965. Out of the amount of Rs. 677·23 lakhs, a sum of Rs. 138·68 lakhs was recovered and Rs. 538·55 lakhs adjusted between 1st April, 1965 and 30th June, 1966. The Committee pointed out that out of a total of Rs. 215·90 lakhs representing surcharge on imported steel the amount still outstanding was Rs. 111 lakhs.

3.18. The Committee desired to know why the progress was so slow. The witness stated that it was on account of the refusal of the importers to make payment on the plea that they had their own counter claims on the Government. He added that there was substance in the plea because out of Rs. 677 lakhs, Rs. 538 lakhs were adjusted as claims against the Government. On being pointed out by the Committee that more than Rs. 55·07 lakhs were owed by the *Amin Chand Pyarelal Group* of concerns out of a total of Rs. 123·70 lakhs, the witness stated that all these cases were being referred to arbitration because of claims and counter claims. Asked whether any consolidated statement of the total amount due from *Amin Chand Pyarelal and Co.* and their group of concerns was being maintained, the witness stated that the Ministry did not have any such statement. A representative of the Iron and Steel Controller added that so far as the Iron and Steel Controller was concerned, Government's claim amounted to Rs. 88·35 lakhs plus Rs. 39 lakhs (penalty towards breach of contract and liquidated damages), while the party's claim amounted to Rs. 62·48 lakhs according to the books maintained in the office of the Iron & Steel Controller. The Secretary of the Ministry stated that the Government were trying to settle these things, but what the party claimed was not accepted by the Government and vice-versa.

3.19. The Ministry had cautioned the Iron and Steel Controller to be vigilant in regard to these cases and to appoint some special officers to protect Government's interest. The Committee desired to be furnished with statements (i) showing the total amount due to Government from *M's. Amin Chand Pyarelal* and their asso-

ciates, amount under arbitration, and since when they are due; and (ii) the latest position of the four cases relating to the claims of Hindustan Steel Limited for Rs. 61 lakhs against *Amin Chand Pyarelal and Co.* The information* has been furnished.

3.20. In reply to a question, the witness stated that orders had been issued to the Iron and Steel Controller on 18th April, 1966 stating that Government had decided that in contracts where there was arbitration clause, the case might be referred to arbitration. The order enjoined on the Iron and Steel Controller to get the parties agree to a uniform procedure in regard to cases where there was some provision for arbitration in the contracts and also in regard to cases where there was no such provision. The Iron and Steel Controller added that as far as the Amin Chand Pyarelal Group was concerned, they had concurred in that they had no objection to have a sole arbitrator provided that after an analysis of the cases that were to be referred to arbitration, it was found that not more than 25 per cent of the cases would be referred to arbitration and the rest could be settled amicably between the Iron and Steel Controller and the party. In case the number was large, the party would prefer to have three arbitrators of which one would be their nominee, the other would be a Government's nominee and an umpire. This position had emerged after a discussion. Asked whether there was any possibility of settling any case with this party by mutual negotiation, the Iron and Steel Controller stated: "It is a very difficult party." The Committee were informed that the number of cases to be referred to arbitrator would be more than 25 per cent. On being pointed out by the Committee that under the system of arbitration the matter might be prolonged unnecessarily (because of differences between the two arbitrators) and the main purpose of arbitration would be lost, the Secretary of the Ministry stated that there were two alternatives before the Government—either to go to the Court of Law or to go to arbitration and arbitration was probably quicker. The witness also informed the Committee that he did not know whether the dues from this party could be recovered as arrears of land revenue. As regards dues outstanding against the *National Iron and Steel Company*, Calcutta, the witness stated that out of Rs. 14 lakhs, the present outstanding against this firm was Rs. 6.73 lakhs. The latest position of dues in regard to the controlled stockists was Rs. 1.88 lakhs, of which a sum of Rs. 1.68 lakhs was *sub-judice*.

3.21. The Committee were informed that Government were considering the recommendation of the Committee contained in para

*Not vetted by audit.

8.20 of their 54th Report (Third Lok Sabha) for laying down a time limit by which the firm would prefer their counter claims complete with all papers and also a time limit by which a final decision should be taken by the Iron and Steel Controller.

3.22. From the note furnished by the Ministry the Committee find that the position of arrears in respect of the period upto 31-12-1965 outstanding against sundry debtors as on 30-6-1966 was as follows:—

	Position as on 30-6-66
(i) Dues from main producers.	Rs. 15,18,418·73
(ii) Dues from controlled stock holders.	Rs. 1,87,818·20
(iii) Dues from Re-rollers.	Rs. 23,94,215·77
(iv) Dues from firms re. imported steel.	Rs. 1,11,43,126·53
(v) Sundry dues.	Rs. 8,301·53

3.23. The Committee are glad to note that as against the outstandings of Rs. 787.73 lakhs against sundry debtors on 31-3-1965, the Ministry had succeeded in liquidating the arrears substantially and on 30-6-1966 a sum of Rs. 152.51 lakhs only was outstanding against the sundry debtors.

3.24. The Committee, however, find that the progress of the recovery of the dues has not been uniform in all the 5 categories mentioned above. While there has been substantial recovery in the case of dues from the main producers and re-rollers, sufficient progress has not been made in the case of recovery of dues from controlled stockist and on account of the recovery of surcharge on imported steel from different firms. In the case of recovery of surcharge on imported steel, an amount of Rs. 215.90 lakhs was outstanding on 31-3-1965 and on 30th June, 1966 an amount of Rs. 111.43 lakhs was still outstanding. Similarly in the case of dues from controlled stock holders an amount of Rs. 1.88 lakhs was outstanding on 30th June, 1966 as against Rs. 2.64 lakhs on 31-3-1965. The Committee desire that vigorous efforts should be made to ensure expeditious recovery of all these outstandings. The Committee also desire that in order that the arrears do not pile up, a suitable time limit should be fixed for submission of the claims by the firms. They would also like to reiterate their observation contained in para

6.20 of their 5th Report (Third Lok Sabha) in this regard. They hope the Ministry would take a decision on this case soon.

3.25. From another statement furnished by the Ministry, the Committee find that in some cases the claims and counter-claims of the firms and Government pertained to the year as early as 1959-60. This does not indicate a satisfactory state of affairs. The Committee desire that suitable steps should be taken by the Government to settle these old cases.

3.26. The Committee would also like to watch the progress of recovery through future Audit Reports.

Non-finalisation of provisional payments to re-rollers—Para 104(B), page 118.

3.27. The total amount of provisional payments made up to 31st March, 1965 which awaited finalisation as at the end of October, 1965 was Rs. 58.24 lakhs involving 1,060 cases, inclusive of 602 cases involving Rs. 33.42 lakhs relating to the period up to 1963-64.

3.28. Giving the latest position, the witnesses stated that total amount of provisional payments made up to 31st March, 1965 which awaited finalisation at the end of June, 1966 was Rs. 28.21 lakhs. These payments were made at two stages. Firstly, a provisional payment of 75 per cent was made and then the final payment. Payments were made after obtaining the concurrence of the Ministry of Finance and these were duly passed and audited. The delay was due to the fact that the party did not present the documents which they were required to produce to sustain their claims and it also took a little time to do local verification of the party's books.

3.29. The Committee desire that expeditious measures should be taken to finalise the provisional payments. They feel that implementation of their recommendation contained in para 6.20 of their 54th Report would go a long way to solve such problems arising out of delay in submitting claims.

Delay in settlement of cases of payment of subsidy—para 104(C), Page 118.

3.30. In respect of transactions mostly completed in 1960, the number of bills relating to payment of subsidy to the importers of steel, which had not been settled by the Department and, therefore, remained in objection till the end of August, 1965 was 1524.

3.31. The delay in the settlement of the outstanding cases was attributed by the Department to the absence of documentation. A High-powered Committee with full powers and discretion to deal with these matters and to waive the deficiencies and discrepancies, was set up by Government in August, 1965, under the chairmanship of the Iron and Steel Controller with the Deputy Financial Adviser of the Ministry of Finance at Calcutta and the Price and Accounts Officer of the Iron and Steel Control, as members.

3.32. The witness stated that the high powered Committee has made recommendation in 549 cases out of which 348 cases had been finally settled by Audit.

3.33. The Committee hope that the High-powered Committee would do the needful to liquidate the remaining 975 cases as early as possible.

Special advances.—Para 104(D), pages 118-119.

3.34. In paragraph 88 of the Central (Civil) Audit Report 1963 and subsequent reports, mention was made of the non-recovery of the principal and interest in respect of the special advances of Rs. 20·18 crores given from the Equalisation Fund to the Tata Iron and Steel Company and Indian Iron and Steel Company during the period from 1954-55 to 1957-58.

3.35. It had been stated by Government in December, 1965 that as a result of negotiations, both the companies had agreed to deposit immediately about half the amount—Rs. 5·18 crores in the case of Indian Iron and Steel Company and Rs. 5 crores in the case of Tata Iron and Steel Company—and to pay the balance of the principal over a phased period, by 31st March, 1972. Under this arrangement, the former was reported to have deposited Rs. 5·18 crores in Sep., 1965, no deposit had been made by the latter till December, 1965.

3.36. Under the same arrangement, the companies, it has been stated, would pay:—

- (i) simple interest for the period from 1st April, 1961 to 31st March, 1965, at the bank rate prevalent from time to time during that period—this payment to be completed by 31st March, 1972 in half-yearly instalments; and
- (ii) interest from 1st April, 1965 at the bank rate current from time to time on the outstanding principal amount in half-yearly instalments.

The total amount of interest payable by the companies in respect of the period from 1 April, 1961 to 31 March, 1965, worked out to Rs. 3.52 crores, which had not been paid till January, 1966.

3.37. The amount of interest for the period from 1 July, 1958 to 31 March, 1961 foregone by Government worked out to Rs. 277.48 lakhs, calculated at 5 per cent per annum originally recommended by the Tariff Commission.

3.38. The Committee desired to know whether the amount of interest of Rs. 277.48 lakhs was legally due to Government and what considerations had weighed with the Government to forego the interest. The witness stated that the matter had been fully explained by the then Minister of Iron & Steel in Parliament. The Tariff Commission had recommended special element of Rs. 8 per ton of steel to enable the company for repayment of interest and capital. The Government did not agree to pay the special element in price and hence they could not force the company to pay interest. The principal amount of loan as well as the interest was entirely dependent on payment by Government of special element which the Government decided not to pay. The Committee pointed out that through an amendment of the Company Law, the Government was empowered to convert these loans and dues into the equity capital of those concerns and desired to know whether after the amendment was passed, the Ministry had taken any action to convert the dues into share capital. The witness stated that the decision to enter into a new agreement even after the Company Law was amended was taken up at the Cabinet level. The Minister of Iron & Steel during half-an-hour discussion in Rajya Sabha in September, 1965 had stated that taking advantage of the latter Act (amended Act) to convert the whole loan into equity share would not be desirable. The witness added that the Government had the powers to do it. The Committee desired to know what considerations, financial or otherwise, weighed with the Government for taking this decision, and pointed out, that if the dues had been converted into equity shares the Government could have earned some dividend.

3.39. At the instance of the Committee the witness agreed to furnish a detailed note on the revised agreement reached with IISCO and TISCO on the following points:—

- (i) What were the considerations which weighed with the Government for not converting the loan into equity shares?

- (ii) Whether the financial position of the two companies was placed before the Government before the advances were given?
- (iii) What were the circumstances which led the Government to have a special clause (please quote the clause also) whereby interest was chargeable only on certain conditions?
- (iv) Whether all the financial implications were looked into before entering into the agreement.

The information has been furnished.

3.40. Explaining why the recovery of interest for the period 1961—65 was to start only from 31st March, 1969 as in the agreement, the witness stated that during the Fourth Five-Year-Plan both TISCO and IISCO had expansion programmes for which large sums of money were needed. It was agreed after discussion that the financial position of the two companies would not permit them simultaneously to do the expansion work and also to pay interest. It was also stated that expansion programme would be over in 1969 and then the companies would start paying interest. The witness also stated that devaluation would not absolve the companies from the responsibility to pay according to agreement which was signed on 31st May, 1966.

3.41. Giving the latest position, the witness informed the Committee that out of Rs. 20 crores and odd given to these two companies, Rs. 10 crores and odd had already been recovered. The balance of Rs. 10 crores was to be paid over a period of years in instalments and the interest was also payable in instalments. The Companies had already started paying the instalments.

3.42. From the note furnished by the Ministry, the Committee find that Government had agreed to forego the interest for the period 1st July, 1958 to 31st March, 1961 amounting to Rs. 277.48 lakhs as they were doubtful about the legality of enforcing their claim on the firms. According to the first contract with the two firms, the payment of principal and the interest thereon was conditional on the grant of "special element" in the retention prices of iron and steel over and above the normal retention prices that was to be allowed to all producers by Government. Since "the special element" of Rs. 8 as recommended by the Tariff Commission was not given to the firms they maintained that they could not be

asked to repay the special advance or the interest thereon and the Government also did not insist on such repayment.

3.43. It is indeed surprising that the Government agreed to make the payment of the interest by these firms conditional on the inclusion of a special element in the retention price. This enabled the firms to take the view that since no special element was allowed, no interest was legally recoverable from them. The Committee feel that the conditions regarding recovery of interest on these loans should have been more specific *ab-initio* and not left in vague terms. The Committee also feel that if the conditions regarding recovery of interest had been more specific *ab-initio* the necessity of foregoing interest for the period 1-7-1958 to 31-3-1961 amounting to Rs. 277.48 lakhs would not have arisen.

Delay in the recovery of cost of steel—para 106, pages 120-21.

3.44. A proper procedure was prescribed for the realisation of the cost of steel by the handling agents and for the remission of money to Government account in respect of steel imported by Government of India under Development Loan Fund agreements, by which payments would have to be credited to Government:—

- (i) In respect of steel supplied to Government departments/ Public Projects at the controlled rates, 100 per cent bills would be submitted by the agents to the consignees on completion of delivery of materials, for payment within 14 days and the total realisations of the week would be remitted to Government the following Monday.
- (ii) In respect of supplies to other parties at full landed cost, the cost would be realised at the time of, or before delivery of materials, and the realisation would be remitted to Government account within seven days from the date of despatch of materials.

It was noticed, however, that although imports against the loan agreements were completed during 1961 and 1962, sale proceeds amounting to Rs. 132.33* lakhs realised by the agents remained to be credited by them to Government till December, 1965.

3.45. The Committee were informed by Audit that Government had intimated them that the handling agents had counter claims for about Rs. 64 lakhs and another sum of Rs. 1.18 lakhs would be

*This amount is stated to include about Rs. 4 lakhs yet to be recovered by the agents from the consignees which are mostly Government projects.

due for refund to the handling agents on account of short landings after the claim had been established. The Government's view therefore was that total outstandings came to about Rs. 63.15 lakhs which represented barely about 2.8 per cent of the total deals amounting to Rs. 22.74 crores. The Committee desired to know whether Government had considered the recommendation of the Committee in para 6.20 of their 54th Report (Third Lok Sabha) regarding fixing up of a time limit for submission of papers by firms and then settlement by the Iron & Steel Controller and also whether action had been taken against firms who had not so far indicated that they had any counter claims. The Secretary of the Ministry stated that out of Rs. 63.15 lakhs some of the claims were being adjusted and the rest were being taken to arbitration. Some of the claims related to the firm of *M/s. Amin Chand Pyarelal* for which they were going in for arbitration. The parties also claimed payments on percentage basis for the cost of handling. At first, the agents could deduct their own share before depositing the money but subsequently it was found that they were deducting more than was due to them and this practice was stopped. The firms had stopped depositing for a long time on the ground that they had other claims and that the Government were holding up their money. Asked why in respect of a particular party the adjustments had been very little and outstanding was very large, the witness stated that these were old transactions of 1959-60 and 1960-61 and there were other parties also against whom dues were outstanding. The High Powered Committee had reviewed 882 cases, and they had sent their recommendation in regard to 549 cases of which 348 had been accepted by Audit.

3.46 Asked whether before appointing the handling agents, bank guarantees were taken as required, the witness stated that some times bank guarantees were not taken and the amount uncovered by bank guarantee was Rs. 39.48 lakhs. Asked whether according to rules the parties had deposited in the bank within a week of their realisation of the amount from the public, the witness stated that they did not do that. The Committee desired to know why no action was taken against them when the arrangements lasted for a long time and the parties had not been observing the rules and regulations. The witness, stated that in this case out of Rs. 24 crores which the parties had to pay, a sum of Rs. 23.4 crores had been paid. It was true that there were some failures but the total size of the transaction had also to be taken into consideration. Asked whether any action had been taken against the officers who had accepted the offer of the handling agents without the bank guarantees, the witness stated, "we were not aware till recently

that bank guarantees had not been taken in respect of these three (firms)." The Committee enquired whether Government would refer all these cases which were now coming to their notice to the Committee of Enquiry which was going to be appointed in pursuance of the recommendation of the Public Accounts Committee, the witness stated that originally it was not intended to refer these matters but now they could refer the new cases to that Committee. In reply to a question the witness stated that Government did not think of conducting any enquiry into the assets and liabilities of the firms against whom large sums were due.

3.47. The Committee are distressed to find that the procedure for remitting to Government accounts of the money realised by handling agents as cost of the steel imported by the Government of India under Development Loan Fund Agreements was not followed properly. They are surprised to be informed in evidence that for some time the handling agents were permitted first to deduct their own share of the cost of handling and then remit the balance amount to Government accounts. The handling agents apparently took advantage of this and kept to themselves what was not really due to them. The Committee feel that adequate steps/measures were not taken to ensure that realisations were credited to Government Account promptly and the handling agents took advantage of this.

3.48. The Committee also do not appreciate the plea taken by the Secretary Iron and Steel in evidence that the total outstandings according to Ministry was only Rs. 63.15 lakhs and this represented barely 2.8 per cent of the total deals amounting to 22.74 crores. The Committee feel that such an attitude is more likely to lead to delays in effecting recoveries. The Committee desire that vigorous steps should be taken to effect recoveries in this case.

3.49. The Committee are further perturbed to note that while appointing handling agents the Ministry failed to ensure that the agents furnished bank guarantees as required under the rules and consequently a sum of Rs. 39.48 lakhs remained uncovered by bank guarantees. The most disturbing aspect of the case is that the Department remained so indifferent to this question that they even did not know till recently that such a thing had happened. The Public Accounts Committee (1965-66) in para 6.16 of their 54th Report (Third Lok Sabha) had already expressed their dissatisfaction on similar cases, and had impressed upon the urgency of streamlining the procedure prevailing in the office of the Iron and Steel Controller. The Com-

mittee feel that the present cases should also be referred to the Departmental Committee suggested in para 6.18 of their 54th Report with a view to examining the circumstances leading to the non-observance of the prescribed rules and also to fix responsibility for such lapses.

3.50. Delay in effecting recoveries—para 107, page 121, Sub-para—(A).

In para 25 of the 26th Report of the Public Accounts Committee (2nd Lok Sabha), it was mentioned that a sum of Rs. 29.29 lakhs was due for recovery from the controlled stockists up to November, 1958 in respect of the material allotted to them prior to 17 September, 1957 and completely sold by them subsequently.

It was noticed that the recovery of a sum of Rs. 1.87 lakhs was due from the controlled stockists in October, 1965.

Sub-para (B).

3.51. A total amount of Rs. 7.76 lakhs pertaining to the period 1957-58 to 1963-64 (up to January, 1964) was outstanding for recovery till October, 1965 from importers in connection with the import of steel under the Technical Co-operation Assistance and the Development Loan Fund. The bulk of this amount, viz. Rs. 5.96 lakhs relates to the period up to 1961-62.

The outstandings mainly comprise—

(a) damages recoverable in respect of purchases made at the risk and expense of the defaulting firms (Rs. 6.17 lakhs), and

(b) overdrawals of ocean freight and f.o.b. cost (Rs. 1.05 lakhs).

3.52. The dues outstanding against one firm alone account for Rs. 6 lakhs. Government had stated in October, 1965 that claims for Rs. 3.45 lakhs were under arbitration and those for the balance (Rs. 2.55 lakhs) were being referred to arbitration.

3.53. The Committee were informed that out of a sum of Rs. 1.87 lakhs, the present outstanding was for Rs. 0.98 lakh. Two firms were concerned and a sum of Rs. 91,000 was outstanding against one and Rs. 7,000 against the other. When the Committee pointed out that nearly a decade had passed but no settlement could be reached,

the witness stated that the party had submitted a counter-claim of Rs. 98,000 when they were pressed for payment.

3.54. As regards sub-para (B) the Committee were informed by Audit that the major defaulter was Messrs. Amin Chand Pyarelal. The witness stated that most of these cases were under arbitration and Government had to wait till arbitration judgement was received.

3.55. The Committee regret to find that even though nearly a decade has passed not much progress could be made by the Ministry in effecting recovery from the controlled stockists and a sum of Rs. 98,000 still remains outstanding. The Committee need hardly to emphasize that the matter should be pursued with greater vigour and with a sense of urgency. They would also like to be informed of the results of the arbitration cases.

Avoidable expenditure—para 108, page 122.

3.56. Permission was accorded by the Iron and Steel Controller in June, 1957 to an importer of steel to remove 1,229 tons of imported bearing plate bars to his godown on the reported refusal of the allottee (a railway fabricator) to accept the material owing to congestion in the latter's godowns. The imported material was re-allotted by the Iron and Steel Controller, and was eventually supplied by the importer to the original allottee without the latter being asked to pay the removal charges (Rs. 12,286) and 2 per cent extra remuneration (Rs. 30,250) which the importer became entitled to as a result of removal of the stock to his godown. The payment of these charges to the importer was subsequently authorised by the Ministry in September, 1965, to be made from the Iron and Steel Equalisation Fund, resulting in an unnecessary liability of Rs. 42,536.

3.57. The Committee were informed that out of 1,229 tons of steel no allotment was made in respect of 620 tons by the Iron and Steel Controller. There was delay in the office of D.G.S. & D. on whose recommendation, the Iron and Steel Controller was to make allotment. There was delay in receiving the quantity from the D.G.S. & D. and because of this Government could not ask the importer to keep the stocks at the port. The two per cent extra remuneration was rightly payable under the rules and orders in force to the importer in respect of the quantity for which the allotment orders had not been issued by the Controller. As regards the remaining 609 tons it was a fact that there was delay on the part of the allottee in making the financial arrangement. He added that this fact should

have been noted and liability fixed on him but this was not done. As a result, there was a failure to recover the 2 per cent extra remuneration on 609 tons of Steel.

3.58. The Committee feel that this case should be examined carefully to find out whether the lapse on the part of the office of the Iron and Steel Controller for the non-recovery of two per cent extra remuneration on 609 tons of Steel was *bona fide*. Suitable action should be taken against the official responsible in case some *mala fide* comes to notice. They also feel that suitable precautionary measures should be taken to ensure that such cases do not occur in future. The Committee also desire that delay in the office of D.G.S. & D. should also be looked into and suitable action taken in the matter.

IV

MINISTRY OF SUPPLY, TECHNICAL DEVELOPMENT AND MATERIALS PLANNING

(DEPARTMENT OF SUPPLY AND TECHNICAL DEVELOPMENT)

Purchase of boots, para 109, pages 122-123:

4.1. In December, 1962, the Director General Supplies and Disposals, negotiated contracts for the supply of 13·42 lakh pairs of boots ankle with a large number of small scale producers and two large scale producers of Kanpur, 'A' and 'B', at a price of Rs. 19·10 per pair for supplies to be completed by December, 1963. Firms 'A' and 'B' were also allowed excise duty at 10 per cent *ad valorem* in addition to the price of Rs. 19·10 per pair. As these contracts did not fully cover the total quantity on indent, negotiations for further supplies were continued with firm 'A' which demanded a much higher price (Rs. 20·52), or an escalation clause based on the price of leather from time to time. The latter was not favoured by the Director General, Supplies and Disposals because no reliable data regarding prices of leather were available. As a result of negotiations, the firm ultimately agreed to make supplies at Rs. 20·10 per pair plus 10 per cent excise duty; a contract for four lakh pairs was placed on them in July, 1963.

4.2. In September, 1963, the small scale producers and firm 'B' on whom orders had been placed were also allowed an *ex gratia* increase of Re. 1 per pair on all supplies to be effected by them on or after 1st September, 1963, as an understanding was stated to have been given to them at the time of negotiating the purchase that if any other firm were allowed higher rates, they would also be allowed the same. (No condition to this effect, however, existed in the relevant acceptances of tender). The extra payment on this account amounted to about Rs. 1·65 lakhs.

4.3. On the basis of further requirements, contracts for 1·80 lakh pairs were placed in November, 1963 on small scale producers, and for 1·50 lakh and 0·35 lakh pairs on firms 'A' and 'B' respectively, at Rs. 20·10 per pair (plus 10 per cent excise duty in the case of firms

“A” and “B”). In negotiating these deals, no tenders were invited from the trade on the grounds that—

- (i) there was upward market trend and higher rates were likely to be obtained in the tender enquiry;
- (ii) firm ‘A’ had reluctantly agreed to the rate of Rs. 20.10 per pair; and
- (iii) Some of the small scale producers had asked for higher rates owing to rise in the price of leather.

4.4. It was, however, noticed that in respect of certain other tender enquiries issued by the Director General, Supplies and Disposals, lower rates were actually obtained as shown below:—

Month of opening of tenders.	Lowest rate per pair accepted.
(In rupees).	
October, 1963	18.99
April, 1964	18.37 (Firm ‘A’ had quoted Rs. 18.49 per pair)
June, 1964	16.35
September, 1964	15.94

4.5. In 1964, delivery periods in respect of certain acceptances of tender were extended from December, 1963 to March, 1964 without securing any reduction in the contract prices or levying any liquidated damages. In view of the lower market trend as revealed in the subsequent tender enquiries, extension of delivery periods without claiming a suitable reduction in the prices or levying liquidated damages worked to the disadvantage of Government.

4.6. The Committee desired to know the circumstances under which the D.G.S. & D. first agreed to give to the large-scale manufacturers excise duty at 10 per cent *ad valorem* over and above the price of boots. The D.G.S. & D. stated that the excise duty was decided to be paid to the large scale units over and above the price of Rs. 19.10 per pair because it was felt that the price of Rs. 19.10 was reasonable price at that time and the excise duty should be given to them in addition. The Secretary, Department of Supply and Technical Development added that there was no difference in the price paid to the

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small scale units as well as the big manufacturers i.e. Rs. 19·10 only per pair. The excise duty was extra for all as applicable and as such extra payment to Firm 'A' of excise duty actually did not give them any advantage. On the other hand, the small scale manufacturers were to produce at a cheaper cost because of the lower overheads. In fact, in course of time, it was found that the small scale units were able to throw the larger units out of the business. As the demand was very large at that time viz., 30 lakhs against the normal annual requirements of 5 lakhs, it was very difficult to get the required supplies. All possible sources had been tapped, the existing capacity had to be enlarged and new capacity had to be organised and in view of that it was felt that the price which was ultimately settled with Firm 'A' viz., Rs. 19·10 per pair was reasonable. The witness further explained that so far as the boot and shoe industry was concerned, it was found from experience that small scale units were able to supply at cheaper rates. Firm 'A' had stated that if the Department wanted larger supplies to be made, they would have to reorganise and place the entire capacity of boot and shoe industry at the disposal of Government. They also stated that it was necessary for them to reorganise their factory and reorganise their tanneries and therefore their overheads for going into production would be more because they had to start all over again after a long time.

4.7. The Committee pointed out that this order was placed as a result of negotiation and therefore D.G.S. & D. did not know at that time actually what the market conditions were. The witness stated that in March, 1963 the firm 'A' had reported that the bare cost of a boot of the same specification was Rs. 19·67 per pair. In view of this, it appeared that the price of Rs. 19·10 fixed, was a reasonable price.

4.8. The Committee enquired when D.G.S. & D. purchased only 4.8 lakh pairs out of this total indent of more than 20 lakh pairs, whether they were justified in giving Firm 'A' 10 per cent excise duty concession though they were not making any major contribution to meet Government's demand; whether there was enough justification to negative the Government policy of giving concession to small scale industries. The witness stated that the Firm 'A' demanded a much higher price and every effort was made to bring down the price and at the time it was a reasonable price. He added that 10 per cent concession was given to large scale producers initially.

4.9. The Committee desired to know whether it was the policy of the Government to give price preference to the small scale manufacturers as compared to large scale manufacturers. The witness stated

that there was a policy that whenever necessary a price preference upto 15 per cent would be given to small scale units. That was the general policy. But in this case no price preference was given to small scale units. The D.G.S. & D. stated "we give price preference to small units only when we are certain that circumstances justify".

4.10. The Committee feel that the concession of allowing 10 per cent excise duty to large-scale-manufacturers over and above the contractual price of boots, had no justification. This advantage was given to them from the very beginning when the orders were placed with them. The Government policy was to give some advantage to small scale units i.e. price preference by way of exemption from excise duty but the Ministry gave the advantage only to the large scale manufacturers by paying them in addition to the price of boots, excise duty at 10 per cent ad valorem, depriving the smaller units of this advantage even though the small units undertook more work with regard to supply of boots as compared with the larger units which will be evident from the fact that against the pending indent of more than 23 lakh pairs of boots the small scale units got the orders for 8.62 lakh pairs of boots while the larger units got orders for only 4.8 lakh pairs of boots.

4.11. In reply to a question, the D.G.S. & D. stated that in October, 1962 immediately after the Chinese attack, the Director of Ordnance Services informed them that they would require 24 lakh pairs of boots, which were to be met within two years, but how would have to be delivered within 12 months. There was not enough time to invite tenders or to go through the normal formalities.

4.12. Accordingly, in December, 1962 against the pending indent for 23,07,761 pairs of boots, orders for 9.30 lakh pairs were placed on the small scale units and 4.8 lakh pairs on the large scale units through negotiations.

4.13. The Committee enquired whether D.G.S. & D. had invited tenders when the second order was placed in July, 1963. The witness stated that no tenders were invited. It was thought that invitation of tenders might push up prices because of the magnitude of the demand and the limited capacity to supply. Therefore, it was thought that it would be better to negotiate and keep the price down.

4.14. The Committee pointed out that D.G.S. & D. did not have any means of checking up whether the prices they were paying were reasonable or on the higher side. The witness stated that the last purchase price was Rs. 18.40 in the days when there was not very

high pressure. Since then, due to the war and other conditions the price of raw material had undoubtedly gone up. When D.G.S. & D. got the price of Rs. 19·10, it was thought to be reasonable. The Secretary Department of Supply and Technical Development further stated that in view of the last purchase price of Rs. 18·40 and in view of the fact that large quantity was required, it was felt at the highest level (in the Ministry) that by going out to tender, there was every possibility of the prices going up. That was why a decision was taken that it was better to send for the firms and negotiate with them. The Firm 'A' and small scale units were sent for separately.

4.15. The Committee pointed out that due to pressure on account of Chinese invasion, purchase of boots in December, 1962 by negotiation might be justifiable, but later on in July, 1963 and November, 1963 when the situation had somewhat eased, purchases should have been done by tender. The witness stated that in July, 1963 there was still a backlog of more than 7 lakh boots and the capacity was limited. The suppliers were not able to work with the delivery schedule. The D.G.S. & D. added that in November, 1963 also the pressure was still on. The only alternative to Firm 'A' was the small scale units. They were fully engaged right up to January, 1964. It was thought wiser to negotiate a continuing order at the same rate. There was no fall in the market price and the cost price of the boots of the same specification was Rs. 21 per pair. The witness further stated that in April, 1964 only when tenders were invited it was found that the prices were much lower. In April, 1964, the situation had changed materially. The capacity was becoming free in small scale units and backlog was completed in January, 1964. Further, more new units had come into the picture by then and there was enough spare capacity to justify the issue of tender.

4.16. The Committee pointed out that lower rates were actually obtained in other tenders opened by D.G.S. & D. in October, 1963. The witness stated that in October, 1963 a limited tender enquiry was issued for a risk purchase for a quantity of 21000 pairs, because one of the firms had defaulted by that quantity and D.G.S. & D. could not have gone for tenders for larger quantity. According to legal formalities, tenders must be invited for an identical quantity and on identical terms and conditions. Here, as the purchase was required to be done urgently D.G.S. & D. went in for a limited tender for 21,000 numbers only. In response to this limited tender inquiry tenders were received from 25 firms. Out of the 25 firms, only 8 tendered rates lower than Rs. 20·10 and all other 17 tendered higher rates. Each of the 8 parties quoted for 21,000 pairs and the total offer

was about 86,000 pairs. When the 8 parties had quoted lower rates for 86,000 pairs against an enquiry for 21,000 pairs it was thought that that was their maximum capacity and as such they were not asked whether they would be in a position to supply more than 86,000 pairs.

4.17. The Committee are not satisfied with the procedure adopted in placing further orders. It was stated in evidence that no quotations were invited on the plea that owing to emergency there was no time to go through all the formalities. Factually this claim is not sustainable as the first order was placed in December, 1962 while the second order was placed in July, 1963, and the third order in November, 1963 and in between these, there was enough time to call for tenders and complete the usual formalities.

4.18. The Committee also do not find any justification for avoiding the calling of tenders on the assumption that the orders being large as compared with the capacity to supply, there was the chance of the prices going up, as no check was also made to see whether the prices quoted were reasonable or they were on the high side and what was the market trend at that time. Although the Secretary of the Department of Supply & Technical Development stated in evidence that as a result of analysis made the opinion expressed was that the market did not really indicate a downward trend, the Committee feel that in October, 1963, the market trend did show that the price level was going down as was evident from the limited tenders invited at that time and yet when the orders were placed in November, 1963, this fact was completely ignored and the orders were placed at higher rates. During the course of evidence when this issue was raised the witness stated, "we shall look into the matter. There might have been an error of judgement But we shall certainly look into the matter so that this sort of thing does not happen in future". The Committee also find that this Ministry failed to take advantage of the lower prices when, on completion of the contract by 5 firms at lower rates, the Ministry failed to enquire from them if they could supply more. During the course of evidence the witness explaining the position stated, "that, as I said, we should have asked.

4.19. The Committee desired to know whether there was any rate contract and if so what were the rates. Also what was the market rate prevailing in April, 1964 and ultimately when the whole thing was settled and what was the price given. The DGS&D stated that there was no rate contract. The decision was taken in March, 1964 and DGS&D went out for tender in April, 1964. Orders were placed on one firm at Rs. 18.49 per pair and on small scale units at Rs. 18.40 per pair.

4.20. Asked about the payment of Rs. 1/- extra per pair of boots, the DGS&D stated that contract with small scale units was up to September, 1963 in the first instance. That is why a contract with large scale units for one rupee more (per pair of boots) with effect from September, 1963 was entered into, he added that actually the contract stipulated delivery by September, and not December and it was extended as there was a backlog.

4.21. The Committee feel that after the acute state of emergency was over the Ministry should have studied the market trend thoroughly and ascertained from those who had supplied the boots at cheaper rates about their capacity to supply more before placing fresh orders at higher rates. In the opinion of the Committee this was an obvious failure on the part of the Ministry. The Committee hope that the Department would be more careful in placing orders in future in similar circumstances.

4.22. The Committee are surprised to note that in September, 1963, the small scale producers and one of the large scale firms on whom orders had been placed were also allowed an ex-gratia increase of Re. 1/- per pair on all supplies to be effected by them on or after 1st September, 1963. The Committee find no justification for this ex-gratia increase as the date of delivery was extended beyond September, as stated in evidence, as there was a back log. If there was a backlog it was due to the failure of the firms to keep to the delivery schedule.

4.23. It has been stated in the Audit. Para that this ex-gratia increase involving an extra payment of about Rs. 1.65 lakhs was allowed as an understanding was stated to have been given to them at the time of negotiating the price that if any other firm were allowed higher rates, they would also be allowed the same. In the opinion of the Committee this sort of understanding without insertion of any such condition in the relevant acceptance of tender, is highly irregular. Any condition, assurance or understanding in case of contracts must always be supported by proper provision or clauses in the tender and in the contracts.

4.24. As desired by the Committee the Ministry have furnished a statement showing the orders placed with the different parties and how they were finalised, (Appendix XIV). The Committee find that as against 40 orders placed for supply of boots, in cases extension of delivery period was given subject to price reduction; in 3 cases the A/T were cancelled and the entire quantity repurchased at

lower rate and in one case balance of 24,355 pairs were cancelled and repurchased at lower rate.

4.25. The Committee feel that the Government failed to take advantage of the prices going down from October, 1963 onwards, when there was delay in the delivery of goods on the part of some of the parties. The Government should have either cancelled the orders, made a risk purchase or re-negotiated the price, but they did neither of these.

4.26. They are surprised to note however that extension was given to Firm 'A' against two different orders due to delay in inspection and delay in giving packing instructions. The Committee desire that responsibility for this delay should be fixed and prompt action taken against the delinquent officers.

4.27. The Committee also find from the statement that in one case (S. No. 14) the A/T was cancelled on 26-9-1963 and entire quantity repurchased on 12-11-1963 at lower rate. Therefore, it is quite clear that the market trend of price level had actually gone down even towards the end of 1963.

Purchase of Barrack Blankets—Para 110, pages 123—125.

4.28. On the basis of negotiations conducted with the woollen Industry in November, 1962, a decision was taken by Government in December, 1962 to purchase 39.10 lakh Barrack Blankets from various firms, at a uniform rate of Rs. 28.50/Rs. 29.00 (depending upon the variety) per blanket. Pursuant to this decision, orders were placed on various firms (including firm 'A') during the period from December, 1962 to December, 1963 at the negotiated rates. An increase of Rs. 0.60 per blanket was subsequently allowed to cover the increase in excise duty. At the time of negotiating the deal, the Director-General, Supplies and Disposals did not avail of an offer from firm 'A' (which had earlier received an order for 20,000 blankets on 13 November, 1962) to supply a further quantity of 40,000 blankets at Rs. 26.80 per blanket, which was pending with him. This resulted in an extra expenditure of Rs. 0.88 lakh.

4.29. The negotiations leading to the bulk purchase has been resorted to for stabilising the prices for a period of one year; the rates contracted for were approved by Government for Supplies made till December, 1963. It was, however, noticed that in certain cases, the original delivery periods stipulated in the contracts were extended beyond December, 1963 and that, in certain others, orders

contemplating deliveries beyond December, 1963 were placed without Government's approval and without testing the market.

<i>No. of orders placed</i>	<i>Total Quantity</i>	<i>Total value (In lakhs of rupees)</i>	<i>Months during which orders were placed</i>	<i>Delivery period</i>
1	10,000	2.85	July, 1963	August 1963 to December, 1963. Extended up to 31st October 1964 with reservation of rights to recover liquidated damages.
1	75,000	21.38	August, 1963	September, 1963 to March, 1964. Extended upto 3 June, 1964 without liquidated damages.
1	20,000	5.70	September, 1963	4,000 Nos. per month to be completed by March, 1964. Extended up to 17th December, 1964 subject to the payment of Rs. 100 as liquidated damages.
6	5,50,000	159.45	October, 1963	January, 1964 to December, 1964.
3	1,06,931	31.12	November, 1963	December, 1963 to December, 1964.
12	7,61,931	220.50		

4.30. In the tender enquiries subsequently issued between April and August, 1964, the lowest rates obtained ranged from Rs. 23.20 to Rs. 25.50 per blanket. In comparison with these rates, the purchases made after December, 1963 in respect of the twelve orders mentioned above have resulted in an extra expenditure of Rs. 27 lakhs.

4.31. The Committee desired to know whether any responsibility had been fixed for the extra expenditure of Rs. 0.88 lakh for the failure to avail of the offer of firm 'A' to supply a further quantity of 40,000 blankets at Rs. 26.80 per blanket.

4.32. The Secretary Deptt. of Supply and Technical Development, by way of clarification stated that the firm had actually offered to supply a further quantity of 10,000 blankets at Rs. 26.80 and not 40,000 as mentioned in the Audit para. The firm had written three letters to DGS&D on 10-11-1962, 21-11-1962 and 1-12-1962 in which

they had repeated this quantity of 10,000 Nos. So probably this figure of 40,000 was a mistake. This discrepancy was discovered subsequently at the time of examination of the files very carefully. "According to Audit the firm in their letter dated 10th November, 1962 had offered the following extra quantities:

- (i) 2,000 blankets till March, 1963;
- (ii) 8,000 blankets till August, 1963;
- (iii) 4,000 blankets per month from August, 1963, onwards.

The offer for 10,000 blankets, therefore, related to the supply to be made upto 31st July, 1963. Another quantity of 32,000 was also offered from August, 1963 to March, 1964 making the total as 42,000 (adopted as 40,000). It seems in their subsequent communications dated 21st November, 1962 and 1 December, 1962 the firm reminded the Director-General of Supplies and Disposal only about the quantity of 10,000 blankets offered upto 31st July, 1963. According to DGS&D," it was found that there was definitely a lapse on the part of the person concerned, that these letters were not brought on record and it was not brought to the notice of a senior officer at that stage. If that had been done it would have been possible to avail of this offer and the extra expenditure of Rs. 0.88 lakh would have been avoided. Charge sheet had been issued to the person concerned and his explanation had been called for.

4.33. The Committee note that charge sheet has been issued to the person concerned in this case and his explanation has been called for. What, however, passes the comprehension of the Committee is how all the three letters written by the firm on 10-11-1962, 21-11-1962 and 1-12-1962 were not brought on record and not brought to the notice of a senior officer. They wonder whether there is no system in the DGS&D by which important letters and documents are shown to the officers even at "Dak" (Receipt) stage. In their opinion suppression of documents, specially when they result in loss to the exchequer or result in a benefit to a party or firm to the detriment of Government interests should be treated as a serious lapse meriting deterrent punishment. The Committee had occasion to comment on a similar case of suppression of document in the office of the DGS&D in para 3.21 of their 64th Report (Third Lok Sabha). They desire, therefore, that a review of the present procedure in the office of DGS&D should be undertaken immediately and suitable action taken to avoid recurrence of such cases in future.

4.34. The Committee enquired about:

- (i) The justification for allowing extensions of delivery period in certain contracts beyond December, 1963 and for

placing orders contemplating deliveries beyond December, 1963 without testing the market leading to the extra expenditure of Rs. 27 lakhs in 12 cases and without Government's approval as mentioned in the Audit para;

(ii) the number of Barrack Blankets supplied by December, 1963 out of 39.10 lakhs for which a decision to purchase was taken in December, 1962; and

(iii) the penalty levied for the delay in supplies.

4.35. The representative of the Ministry stated that the entire capacity available in the country at that time had been booked right up to December, 1963. It was fully booked as a result of tenders opened on 28-9-1962. The requirement at that time was assessed at 8.13 lakhs. Orders were placed upto December, 1963 at prices ranging from Rs. 25.85 to Rs. 27.00 for 6.2 lakh Nos. only. They could not get more blankets against the demand of 8.13 lakhs. In order to stabilise the price for a period of one year viz., 1963 and as it was a time of pressure and prices were mounting up, the entire capacity available was booked by placing orders during 1963 for supplies upto or beyond December, 1963 at this price.

4.36. The Committee pointed out that according to Audit 7.62 lakhs of blankets remained to be delivered in December, 1963 for which extension was given to 12 parties beyond December, 1963 and at that time the market had come down and that resulted in a loss of Rs. 27 lakhs. The representative of the Ministry stated that it was a fact that according to the original contracted terms some of the firms did not deliver the goods by the last date prescribed. One of the important conditions in the supply of these blankets was that shoddy and Nylon Yarn had to be supplied by the Textile Commissioner, Bombay. Assistance had to be given to these parties before they could process the obligations. There had been certain delays in supplying these shoddy and Nylon Yarn to these parties and they had approached for extension of time and in certain cases extension of time was granted. Out of the 12 cases, there were three contracts in respect of which the outstanding quantities of about 86,000 Nos. were cancelled because the firms were at fault in not delivering these quantities within the prescribed delivery period and after cancelling the contracts the blankets were repurchased at lower rates. 7 of these contracts were completed either in the original or refixed time. The contractors were not able to get blankets processed because raw materials had not been made available to them as per the terms of the contract.

4.37. The Committee enquired how it was claimed that the yarn assistance clause *viz.* that the yarn required in the execution of this contract shall be released by the Textile Commissioner, Bombay became a condition of the contract merely because in one of the "special instructions" it was stated, "you are requested to approach the Textile Commissioner, Bombay who would issue the order for "requisite shoddy and Nylon". The witness agreed that it should have been given as a specific clause in the contract.

4.38. In a note furnished subsequently at the instance of the Committee, the Department of Supply and Technical Development have stated *inter-alia*:

"No time was fixed for release of yarn by Textile Commissioner to the Contractors. Copies of A/Ts whenever placed were endorsed to the Textile Commissioner and the firms on whom the A/Ts were placed for blankets made of shoddy admixture, approached him for release of necessary yarn. The date of application from firms for release of yarn to the Textile Commissioner; the date on which Textile Commissioner released yarn and date on which the firms actually received the yarn are not readily available on A/T files."

4.39. The Committee learn with surprise that no time was fixed for release of yarn by the Textile Commissioner to the contractors. Copies of A/Ts whenever placed were endorsed to the Textile Commissioner and the firms on whom the A/Ts were placed for blankets made of shoddy admixture approached him for release of necessary yarn. It is apparent that the Textile Commissioner was not addressed at any stage by the Ministry in this regard nor was there any specific clause in the contract to show that the Textile Commissioner was bound to supply yarn to the contractors within a stipulated period for completing the contracts. This disclosure together with the fact that there was no specific clause in the contract but only "Special Instruction" about release of yarn by the Textile Commissioner indicate that the office of the D.G.S. & D. never realised that the method adopted by them in placing the contracts could only result in delay in supplies. As a matter of fact owing to delay in supply of raw materials (shoddy) some of the firms expressed their inability to supply the blankets within the stipulated period and asked for extension which could not be refused. The lapses in this case defeated the purpose of urgent purchases. As a result, the Government gave the extensions ignoring the price trend in the market. This resulted in incurring extra expenditure of Rs. 27 lakhs which could have been avoided with a little care and forethought.

4.40. The Committee fail to understand how the purchase organisation of the Government of India with so many years of experience could be so careless in drafting their agreements which contained serious lacunae. Such a situation requires to be remedied forthwith.

4.41. Another aspect of which the Committee take serious notice is that as stated in the note of the Ministry, "the date of application from firm for release of yarn to the Textile Commissioner; the date on which Textile Commissioner released yarn and date on which the firms already received the yarn are not readily available on A/T files". The Committee are unable to understand how, in the absence of this vital information, the D.G.S. & D. satisfied themselves that the yarn was not received by the firms in time, and that their requests for extension were justified. They desire that an enquiry should be held in this case by the Ministry without further delay to find out the lapses and irregularities and responsibility fixed therefor.

4.42. The Committee pointed out that the Audit para stated:

"It was however noticed that in certain cases the original delivery periods stipulated in the contracts were extended beyond December, 1963 and that in certain others, orders contemplating deliveries beyond December, 1963 were placed without Government's approval and without testing the market".

4.43. The witness stated that in view of the emergent huge demand that was pending they had to continually keep searching in the market and continue to enter into new contracts and that was why the period of the contracts was extended.

4.44. In reply to a question the witness stated that it was only after April, 1964—by then the emergency had cooled down—it was realised that the prices were dropping down and the demand from the other quarters was also dropping down. The mills were getting slightly free in their capacity because they had almost met their pending obligations. But till December, 1963 nobody could expect that prices would show a downward trend. He added that it was a deliberate decision taken by the Department to make purchases with the delivery period beyond December, 1963. They had been able to cover right upto the end of 1963 only, a part of the demand that was there.

4.45. The Committee pointed out that according to Audit, the Department were entitled to book orders for the quantity which could be delivered by December, 1963 and that to book any order

beyond December, 1963 delivery would be without Government's approval.

4.46. The Secretary, Department of Supply and Technical Development stated that the total amount required to be spent for purchasing this quantity of about 39 lakh blankets was worked out and it came to Rs. 11·34 crores. When the proposal was put up it was explained that if the entire quantity had to be covered, the total amount of Rs. 11·34 crores had to be spent. The price should be stabilised within that year. The order should be booked upto end of 1963 for as much quantity as possible. This sanction of Rs. 11·34 crores gave the indication that the entire quantity could be booked for supply even beyond December, 1963.

4.47. As the Committee could not agree with the inference as drawn by the Secretary, Department of Supply & Technical Development from the documents referred to in justification for placing the order for delivery beyond December, 1963, the Committee desired to be furnished with a note giving further details for the justification for allowing extensions of delivery periods in certain contracts beyond December, 1963 and for placing orders contemplating deliveries beyond December, 1963 without testing the market leading to the extra expenditure of Rs. 27 lakhs.

4.48. The Department of Supply & Technical Development have furnished a note giving the required information which is at Appendix XV.

4.49. The Committee regret that even after going through the note submitted about justification for allowing extension of delivery periods in certain contracts beyond December, 1963 and for placing orders contemplating deliveries beyond December, 1963 without testing the market, they are not convinced of the arguments advanced. The note also does not specifically state whether the original orders applied to purchases only upto 31-12-1963 or they applied also to supplies beyond December, 1963. The Committee would, therefore, like this matter to be properly investigated and the result communicated to them.

4.50. The Committee desired to know whether any penalty was levied for the delay in the delivery of the balance quantity of 12·8 lakhs delivered after December, 1963. (Out of 39·10 lakhs, a quantity of 26·3 lakhs was received till December, 1963). The representative of the Ministry stated that in one contract the extension for a short period could not be refused because the firm had approached the Department for extension on account of delay in receipt of yarn, due

to heavy rains etc. When the case was referred to Law Ministry they advised that no action could be taken against the firm, for the slight delay and the quantity offered for inspection was also within the stipulated period. Due to delays in inspection, supplies took place after the final date.

4.51. The Committee pointed out that the contract for 34,000 Nos. per month to be completed by March, 1964 was extended upto 17th December, 1964, subject to the payment of Rs. 100 as liquidated damages. From April, 1964 the rates had gone down. The lowest rates ranged from Rs. 23.20 to Rs. 25.50 per blanket. The Committee enquired, why at the time of giving extension, the Department did not consider that the prices had fallen considerably and that it was no use purchasing at old rates. The representative of the Ministry stated that the Deptt. could not have cancelled the contract unilaterally. The other party had also to be given a chance and that was exactly why the Department wanted to judge their position legally whether they would be able to measure up and that was why the case was referred to Law Ministry who advised that "since the cancelled quantities could be covered at a lower price, the case did not involve any risk purchase." The delivery period was extended with a reservation of right.

4.52. In reply to a question, whether the Department determined the liquidated damages at Rs. 100 only for a contract valued at Rs. 5.70 lakhs, the representative of the Ministry stated that the firm could not supply these stores within the time by March, 1964 due to non-receipt of yarn from the Textile Commissioner. There was yarn assistance clause in the agreement. At their request the delivery period was extended till 30th September, 1964. This extension was granted with reservation of rights. At that stage in March, 1964 the question of cancelling the contract or making risk purchase did not arise.

4.53. The Committee are unable to appreciate what purpose the imposition of Rs. 100 only as liquidated damages in a contract valued at Rs. 5.70 lakhs could serve. If there was failure on the part of the firm in terms of the contract, proper damages should have been levied. If, on the other hand, the firm was not at fault there was no justification for levying and liquidated damages—token or otherwise.

4.54. It also appears to the Committee that there is no uniformity with regard to levy of liquidated damages by the D.G.S. & D. While it is desirable that each case has to be decided on merits, the procedure should not vary from case to case.

4.55. It has been disclosed that the Ministry could not levy penalties for delay in completing the contracts in certain cases owing to delay in inspection of the materials. The Committee would like the Ministry to investigate the reasons for delays in inspection of the material and fix responsibility for the same.

4.56. The Committee desired to be furnished with a detailed note showing the action taken on the recommendation contained in para 7 (S. No. 8 of Appendix XI) of 38th Report and para 10.20 (S. No. 120 of Appendix I) of the 54th Report of the P.A.C. (Third Lok Sabha) regarding the appointment of an officer well versed in the law of contracts and companies Act. This note might also state the various levels at which the recommendations of the P.A.C. was considered and the decision taken thereon. The Deptt. of Supply & Tech. Development have furnished a note in this regard and is at Appendix XVI.

4.57. From the note furnished, the Committee are glad to note that in pursuance of their recommendation made in 1964-65 Government have now decided to appoint a Contract Officer in the D.G.S. & D. and action in the matter has already been initiated. The Committee trust that this appointment will be made without any further delay and that it would result in improving the working of the organisation.

Purchase of Woollen Drawers—Para 111, pages 125-126.

4.58. In December, 1962, the Director General, Supplies and Disposals negotiated purchase of a large quantity of 'Woollen Drawers White' with various small scale units of the Hosiery Industry Federation, as well as with certain large scale manufacturers. Fifty seven orders for 7.08 lakh pairs of drawers (out of 11.27 lakh pairs indented for in November, 1962) of a total value of about Rs. 57.36 lakhs were, accordingly, placed during January to September, 1963 at rates ranging from Rs. 7.16 to Rs. 8.48 (depending upon the size) providing for delivery between February and December, 1963.

4.59. A test check in audit of 15 orders placed in January, 1963 on the basis of negotiations of December, 1962 showed that, in none of the cases, could the firms adhere to the prescribed delivery period up to April, 1963; of the total quantity of 2,13,610 pairs contracted for, only 24,556 pairs were delivered within the stipulated period. Extensions of delivery periods were granted to the firms (without reservation of rights) to enable them to complete the supplies, without, however, testing the market; these extensions were granted on grounds of irregular supplies of yarn owing to delay in shipment abroad, etc. In 9 of these cases, supply of a total quantity of

58,470 pairs (out of 1,47,931 contracted for) was accepted beyond February, 1964, on the basis of an extension given on 9 January, 1964.

4.60. In the meantime, on 23 January, 1964, a limited tender enquiry was issued by the Director General to cover outstanding demands and to ascertain the correct trend of prices, as it was felt that there was a fall in the prices. Fifty eight tenders were received and opened on 12 February, 1964, of which the lowest was from firm 'A' at a uniform rate of Rs. 5.65 per pair for the first 50,000 pairs and at Rs. 6.15 per pair for the next 1 lakh pairs. The lower rate quoted by firm 'A' (Rs. 5.65 per pair) was counter-offered to other tenderers, who accepted the same. Accordingly, orders for a total quantity of 2.35 lakh pairs were placed on various firms (including firm 'A' for 50,000 pairs) in April, 1964 at a total cost of Rs. 13.30 lakhs. Computed on the basis of these lower prices, the supply of 58,470 pairs in the nine cases mentioned above, involved an extra expenditure of Rs. 88,000.

4.61. The Committee enquired as to what was the hurry for granting extension of delivery period on 9th January 1964 without reserving the rights to levy liquidated damages and why the Department could not wait for opening of the fresh tenders. The Director General of Supplies & Disposals stated that the Textile Commissioner did not supply the yarn as was stipulated in the contract. Till about the end of 1963, there was no supplies of yarn and as such sufficient time had to be given to the firms to complete the orders. They had consulted the Law Ministry and they stated that even if the yarn was received, D.G.S. & D. had to give the manufacturers reasonable time, to complete the order. The delivery period was 3 months after the placing of the order and although they kept giving extensions, they co-related the extensions to the actual supply of yarn.

4.62. Asked how only on 28th January 1964, while issuing the tender enquiry, the D.G.S.&D. felt that there was a fall in the market prices and considered it desirable to ascertain the correct trend of prices by issuing a tender enquiry. The witness stated that when the indent was received initially, it was a completely new item, which had not been manufactured in the country before. The delivery period fixed by the indenter was very short ranging from 1 to 3 months. In view of this position the quickest way of placing orders was to invite all the likely manufacturers for discussion and in agreement with them, certain orders were placed stipulating the

above delivery period. After 1963, some deliveries were received from the manufacturers. By then yarn was being delivered and the drawers were being manufactured by some of the units. It was then felt that since some capacity had been established and some of the larger scale units had shown interest in this manufacture it was the right time to call for tenders and accordingly a tender enquiry was issued.

4.63. In reply to a question, the witness stated that there was no specific market Research Department in their organisation but they felt its necessity and usefulness. At present they consulted authoritative market reports where price trends were available with regard to non-ferrous metals. With regard to wool, the price was available from trade bulletins, but in their opinion these did not give a fair indication of the cost of fabricated garment. The witness added that they had planned to set up a Directorate of Planning and one of its functions would be to organise market research.

4.64. The Committee hope that the Government would finalise the plan to set up a Directorate of Planning early so that the work to organise market research could be started without delay.

4.65. Asked whether they investigated the period of delay in shipment in each case before granting extension, the witness stated that wool tops were imported by the Indian woollen Mills Federation under the guidance of the Textile Commissioner. A bulk foreign exchange licence was given to the federation by the Textile Commissioner. These wool tops were distributed to the factories which spun yarn and they had no hand in it.

4.66. The Committee desired to know whether the Textile Commissioner was correctly apprised of the urgency of the material and asked to expedite the issue of the import licence. The witness stated that they did every thing to impress upon the Textile Commissioner to issue the import licence expeditiously as the matter was of utmost importance, but it was of no avail. The Secretary, Deptt. of Supply & Technical Development stated that delay was mostly in the Textile Commissioner's office because every month meetings were held and assessments were made in regard to the supplies due from the Textile Commissioner. Every possible effort was made to assess the requirements and the nature of the steps to be taken to expedite delivery. In spite of all these, by and large delay took place in the Textile Commissioner's office and the purpose of expediting supplies was defeated to some extent.

4.67. The Committee regret that according to the evidence given all the efforts of the Department to get the licence issued by the Textile Commissioner expeditiously were of no avail.

4.68. The Committee feel that Government should ensure for future that with regard to finalisation of contracts and their implementation there is proper co-ordination between various Departments and Organisations of the Government which should work as a team and see that delays at intermediate stages are eliminated. If this is ensured it will minimise unnecessary expenditure involved in delayed supplies or purchase of supplies at higher rates.

Extra expenditure in the purchase of Ferro Tungsten—Para 114, page 129.

4.69. In respect of an urgent demand for the purchase of 55 tonnes of 'Ferro Tungsten' received from the Defence Services in March, 1964, a limited tender enquiry was issued to 61 firms in June, 1964 and six tenders valid up to 26 August, 1964 were received and opened on 26 June, 1964. The final order was, however, placed on 30 November, 1964 after two extensions in the period of validity of the offers had been secured from the tending firms. Of the quotations received, the offers from two firms were as follows:—

<i>Firm</i>	<i>Price</i>	
'A'	Rs. 18,664 per tonne	Based on the f.o.b. U. K. price of the tungsten content at £0-9-1½d per lb.
'B'	Rs. 13,890 per tonne	Based on the f.o.b. U. K. price of the tungsten content at £0-9-1½d per lb.

4.70. On 27 July, 1964 i.e., after about a month of opening of tenders, firm 'A' whose offer was the lowest acceptance, were asked to withdraw the condition regarding the variation of f.o.b. rates; this was agreed to by the firm on 3 August, 1964. On 31 August, 1964 another reference was made to firm 'A' seeking confirmation that the stores would conform to specifications. This confirmation was received on 7 September, 1964. As considerable time had elapsed since the tenders were received, firm 'A', on 1 October, 1964, revived their condition of variation on f.o.b. price which they had earlier withdrawn. The daily in taking a purchase decision leading to the revival of this condition caused an extra expenditure of Rs. 31,400 to Government.

4.71. In November, 1964, a decision was taken to place an order on firm 'B' by computing the offer of firm 'A' as Rs. 14,236 per tonne on the ground that f.o.b. price of tungsten had gone up from £0-9-5½d

to £ 0-9-8d per lb. without, however, taking into account the corresponding increase in the price of firm 'B' whose offer too was based on the f.o.b. price of tungsten at £0-9-1½ d per lb. The placement of order on firm 'B' thus caused an extra expenditure of Rs. 8.18 lakhs to Government.

4.72. The Committee were informed in evidence that the case was handled very badly and there was considerable delay (5 months) with the result, that the orders could not be placed in time. They had fixed the responsibility for this lapse but unfortunately the Deputy Director who formulated those proposals had resigned and gone away, before the audit para was received. So far as the Asstt. Director was concerned disciplinary action had been started against him.

4.73. The Committee enquired why without understanding the implications of this case orders were placed on the basis of prices quoted in the tenders and no attention was paid to the prices prevailing at that time. The Jt. Secretary of the Deptt. of Supply & Tech. Development stated that there were 3 quotations. One was from firm 'A', the second was from another firm 'C' and the third from firm 'B'. In the first case the firm had confirmed the specifications this was confirmed in form 'B' which was the Annexure to this tender which clearly showed that they confirmed the specifications. The person who was handling this case took a wrong decision not to refer this case to the Inspection Directorate and had held it back. He referred only the other 2 cases 'C' and 'B'. The Inspection Directorate gave the decision that the case 'B' was only acceptable. As a result of this they begin to analyse the position and came to the conclusion that there was some flaw in this particular confirmation regarding specifications because there was a covering letter with the tender which showed that they gave the specifications but they did not mention the grade for which they were quoting. Since the grade of the material was very important the tender had to be referred to the Inspection Directorate. In fact this should have been done right at the earliest stage. As a result, the whole case was delayed.

4.74. The Committee enquired whether at the time of placing the order, they had enquired from the firm 'B' about their price of the material and on what basis they were going to charge. The witness stated that the person who had now resigned and gone had put up the proposal in which he had not worked out a like for like comparison. The comparison was with the price of firm 'A' quoted on the

basis of variable prices; whereas the price of firm 'B' was not worked out on variable basis even though they had already indicated that they had quoted on variable rate. They did not enquire about the prevailing prices of the material when they were placing the orders and in their opinion it was really not necessary as both the tenders which they were considering were on the basis of variable offer. The financial Adviser explained that at the time of placing the orders, it was found that by mistake they took the price of one firm on variable basis and for the other firm on their original price as fixed price. As a result the comparison was not correctly done. They should have worked out the prices for both the firms on their variable prices. As a consequence the price finalisation was not actually done till then.

4.75. Asked about the verification of the price of 18 shillings 6 pence as quoted by the firm 'B' the witness stated that that was not done when the order was placed on 24th December, 1964 because of a flaw. The Financial Adviser explained that on the 29th December, 1964 the firm 'B' requested that the prices quoted by them in the tender were on variable price basis whereas the contract placed on them was on firm price basis. As such there should be variable price clause in the contract. They also indicated that the price of the material on that day was 18 shillings 6 pence. The firm's original offer was checked and it was found that it was based on a variable price. They had, therefore, to issue an amendment accepting the firm's position and confirming that the contract would include a variable price clause. The variable price would apply not as on the date of the contract but on subsequent date in relation to the time of supplies.

4.76. The Committee enquired whether even after granting extension the firm had delivered the material. The witness stated that 35 tonnes were supplied on 6 December, 1965 and 20 tonnes on 24 August, 1966. As regards the payment, the witness added that 95% had been given at the tendered rate which worked out to Rs. 18,000. There was no actual verification of the price but it would be done by the Accounts Officer at the time of finalisation.

The Committee desired to know:—

- (i) Since the delivery had been made in two instalments, whether the price prevailing at each time had been verified;
- (ii) Since extensions had been given, whether DGS&D had reserved the right to claim any liquidated damages, to claim decrease in price and not to sanction any increase if it takes place in the extended period.

4.77. The Secretary, Department of Supply and Technical Development explained how on the f.o.b. basis they tried to work out the price per pound. But they had neither calculated nor taken into account the effect of devaluation on this transaction and how much they had to pay on this account.

4.78. The Committee desired to be furnished with a detailed note explaining whether in regard to the contract for purchase of Ferro Tungste, the Department of Supply and Tecnical Development had fully examined the implication of the contract—whether the price was verified i.e. how much more or how much less it would be, whether the implication of devaluation was examined i.e. how the loss or gain would be appropriated etc. The note giving the required information has been furnished and is at Appendix XVII.

4.79. "The Committee are not aware whether while giving extensions the DGS&D had reserved the right to claim decrease in price and not to sanction any increase if it takes place in the extended period as required under the provisions of DGS&D Manual. The Committee would like to know the actual position in this regard and in case the extensions were given in disregard of the provision of the DGS&D Manual, they would like to know the action taken against the delinquent officers."

4.80. The Committee are not satisfied with the manner in which the contract for import of tungsten was handled by the DGS&D right from the beginning. Some of the failures and lapses are that

- (i) There was unconscionable delay of about 5 months in taking purchase decision which resulted in an extra expenditure of Rs. 81,400.
- (ii) There was failure on the part of the dealing officer to refer one of the three tenders to the Inspection Directorate although the point about the grade of the material was of importance.
- (iii) There was failure to make a proper and correct comparison of prices and as a consequence price finalisation was not done and orders were placed with the firm whose rates were higher, resulting in an extra expenditure of Rs. 3.18 lakhs.
- (iv) The verification of the price of 18 shillings 6 pence as quoted by the firm 'B' was not done before the placing of the order because of a flaw.

4.81. The Committee find from the notes that claims amounting to Rs. 6·80 lakhs have been preferred by the firm on different items including exchange variation. They have also been informed in evidence that price verification will be done by the Accounts Officer at the time of finalisation.

4.82. The Committee would like to know the final outcome in this regard.

Purchase of cables at higher rates—para 117, pages 132—134.

4.83. The Technical Consultancy Agreement for the establishment of a factory to manufacture telephone cables, entered into by the Government of India with the Standard Telephones and Cables Ltd., U.K. in 1949, and current for 20 years, *inter alia* provided that:—

“Until the factory produces all the Government's requirements of the products within the field of this Agreement, 25% of the requirements of Government of such products which it does not itself manufacture shall be purchased from STC f.o.b. at the same prices as are acceptable to the British Post Office plus 2½%, subject to the quantity and delivery dates offered by STC being acceptable to Government.”

4.84. Under these provisions, four acceptances of tender as mentioned below, for the purchase of cables involving a sum of Rs. 364·02 lakhs were placed on the Standard Telephones and Cables Ltd., during 1961-62 to 1963-64:—

Month in which acceptance of tender placed	Value (In lakhs of rupees)
August, 1961	67·52
February, 1962	39·18
July, 1962	129·25
October, 1963	128·07
TOTAL	364·02

4.85. The following points were noticed in respect of these purchases:—

- (i) The British Post Office could not certify the reasonableness of the prices based on the actual prices paid by them for

the types of cables purchased by the Government of India. They merely stated that "on the basis of the metal prices given.....these are certified to be lower than the British Post Office would accept to pay for similar cables purchased under similar conditions of contract".

- (ii) The prices paid to the company were higher than the prevailing market prices; the compulsory purchases made from the company under the contract, therefore, resulted in an extra cost of Rs. 52.22 lakhs as compared to the lowest acceptable offers received from other sources on the basis of Global tender enquiries.
- (iii) Although the benefits arising from the Consultancy Agreement accrue to Hindustan Cables Ltd., the entire extra cost resulting from the compulsory purchases is borne by Government.

4.86. Towards the end of the year 1959, it was realised that this unusual clause in the agreement entered into ten years ago militated harshly against the interests of Government and that an endeavour should be made to revise this clause as well as certain others containing equally unfavourable provisions. Following discussions in November/December, 1962, the Standard Telephones and Cables Ltd., proposed alternative basic prices subject to certain variations, and agreed to charge the prices for co-axial cables at 5% below, and for underground cables at 10% below, the "agreement prices" in respect of orders placed from 1 December, 1962, until the revised formula was finally agreed to. No agreement giving effect to the revised formula has been executed so far (October, 1965).

4.87. The Committee desired to know if the advice of the Ministry of Law has been obtained as recommended in para 4.62 of their 43rd Report (Third Lok Sabha) on sub-clause (2) of Clause (8) of the agreement entered into between the Government of India and the Standard Telephones and Cables Limited.

4.88. The DGS&D stated that the Ministry of Law was approached for their opinion in regard to this para on 9 October, 1965. The representative of the Ministry of Industry added that one of the points referred to the Ministry of Law related to the interpretation of the words in the agreement "such products which it does not itself manufacture" and it was argued that if Government had started the manufacture of a certain product in the factory, the provisions of this clause regarding purchase of 25 per cent of the requirements would not be attracted even though Government might not be

manufacturing its full requirements and in that case the balance of Government's requirements could be purchased from any source other than STC without any obligation on the part of Government to give an order in respect of 25 per cent of the requirements to Standard Telephones and Cables Limited. The other point was that since the words used in the agreement were—"establish in India a factory the provisions of clause 8(2) would not be attracted if Government started another factory for the manufacture of the products coming within the field of the agreement."

4.89. The Ministry of Law gave their opinion on 17 December, 1965 which was as under:—

"There is no escape from the liability to purchase Government's excess requirements to the extent of 25% from the Standard Telephones and Cables Limited till the factory set up under the contract is in a position to meet all the requirements of the Government."

4.90. The witness added that the Ministry was not satisfied with the opinion of the Law Ministry and the matter was further pursued with the Ministry of Law but that Ministry reiterated their original opinion.

4.91. The Committee enquired as to what was the difference between the expression "all the requirements of the Government" and "the total requirements of the Government." The witness stated that this related to the items included in clause 3 of the agreement. By way of illustration the witness stated that if 100 units were required by the Government and it was found out how much of these 100 units of different types could be supplied by the Hindustan Cables the balance would become Government's requirements and 25% of that would be the liability.

4.92. To a question, the witness stated that the agreement entered into between the Government of India and the Standard Telephones and Cables Limited would expire on 30 November, 1969.

4.93. The Committee pointed that towards the end of 1959, it was realised that the terms of the agreement under which compulsory purchases were made, militated harshly against the interests of the Government of India and yet this question was taken up with the Company only in November, 1962 after a lapse of full three years. The witness explained that till 1957 the prices offered by the company were generally slightly lower than the other competitive prices. But the difference in prices was very much higher from 1958-59 onwards. In November, 1959, the DGS&D brought to the notice

of the Ministry of Industry the prices then quoted by the Standard Telephone and Cables Limited were much higher than the prices offered in global tenders. In the middle of 1960, the Ministry of Industry took up the matter with the company. Since the company was in a stronger position because the agreement was valid for 20 years, they took some time to reply to the points raised by the Ministry with regard to clause 8(2) and 6. In November, 1960, the company only allowed some reduction in their consultancy charges. This question was again taken up in 1961. As a result of further discussion between the company and the Ministry, the company finally agreed to give (i) reduction in consultancy charges with retrospective effect from 1 April, 1961; (ii) royalty payments with effect from 1st April, 1962 and (iii) reduction in price for purchases stipulated in the agreement with effect from 1 December, 1962—10 per cent in the case of underground cables and 5 per cent in the case of co-axial cables.

4.94. At the instance of the Committee the witness gave the figures of consultancy charges paid to the company which were as under:—

<i>Year</i>	<i>Amount paid</i>
1952	Rs. 2,00,000
1953-54	Rs. 66,000
1958-59	Rs. 67,000
1959-60	Rs. 1,88,000
1963-64	Rs. 1,33,000
1964-65	Rs. 2,00,000 or so
(The total figures came to about)	Rs. 9,00,000)

4.95. As regards the effect of devaluation on payment of consultancy charges to the company, the witness stated that after devaluation the consultancy charges would slightly increase. Payment of consultancy charges would not be restricted only in respect of capital equipment for specific purpose.

4.96. The Committee desired to be furnished with a note stating whether as a result of devaluation, the Ministry of Industry would have to pay more, less or the same consultancy fees to M/s. Standard Telephone and Cables Limited in connection with the purchase of Cables according to the agreement.

4.97. The Ministry of Industry have since informed that there would be no adverse effect in respect of commission charges due to devaluation.

4.98. The Committee enquired as to when the DGS&D came to know that the STC were charging unduly exorbitant rates as compared with the prevailing rates and also when this specific issue was taken up with the British Posts Office. The DGS&D stated that the Department took up this issue in 1964 when the difference between the producer's price and the London Metal Exchange rates came to their notice. The matter was taken up through the Director General India Supply Mission, London, who was asked to compare the two prices and find out as to which of them was more favourable to DGS&D. No definite reply had been received from DG., I.S.M. London in this connection.

4.99. The Secretary, Department of Supply and Technical Development added that DG., I.S.M. London was asked to take it up with the B.P.O. as to how they gave the certificate but they did not give any information.

4.100. The Committee enquired if DGS&D could not implement the provisions of this clause relating to checking of price of B.P.O. to the satisfaction of both the parties, why they did not tell STC that it was not possible or practicable to implement this provision. The witness stated that there was no authority to check the B.P.O. as to how they calculated the price etc. There was no agreement. They were not obliged to give any information on this aspect. The agreement only provides that the prices which STC would claim, would be the same prices as were acceptable to B.P.O. plus 2½%.

4.101. The witness, however, agreed that the certificate which they were at present getting from the B.P.O. was not a clear certificate as it was based on the material prices acceptable to the B.P.O. plus 2½%. He also agreed to examine the basis how the B.P.O. gave this certificate.

4.102. The Committee enquired whether for obtaining a certificate from the B.P.O. they had to give them some money. The witness stated that it was a nominal fee of about £43 which they paid for their service.

4.103. Since the basis of payment to the Standard Telephones and cables Ltd. in this case is a certificate to be given by the B.P.O., the Committee feel that a suitable method should be evolved for getting a clear and satisfactory certificate from the B.P.O. If necessary, an opinion from the Ministry of Law may be taken and the case

taken up again with the B.P.O. The mode of fixation of the prices and the various factors taken into consideration for that should be clearly spell out whenever a certificate is received from the B.P.O. The Committee also cannot help observing that such a vague clause regarding assessment of the price payable to the Standard Telephones and Cables Ltd. was included in the contract which was to be in force for a period of 20 years. The Committee hope that due care will be taken in future to avoid inclusion of such vague clauses in agreements.

4.104. The Committee also desire that the advice of the Attorney General should be obtained regarding the interpretation on the meaning of sub-clause 2 of clause '8' of the agreement with STC Ltd. so that the correct position is made clear to all concerned. It should be clearly brought out whether the Government is required to buy 25 per cent of only such products from STC which are not produced in their factory or whether, even in respect of products which are produced, 25 per cent of the excess requirements have to be purchased from the STC.

4.105. The Committee pointed out that in this case Hindustan Cables Limited got the benefit out of the contract by way of consultancy etc. On the other hand it is the Government Department viz., P. & T. which had to pay extra charges to the STC. The DGS & D agreed with that. The representative of the Ministry, however, explained that whatever Hindustan Cables Limited manufactures, a Cost Accounts Officer of the Ministry of Finance actually goes into the cost of production and fixes the cost, and the company was given a very meagre profit. He also pointed out that if the extra expenditure on these 25 per cent purchases through STC was debited to the H.C.L., then it would have gone into the cost of production of the Cables manufactured by H.C.L. and the P. & T. Department in that case would have to pay more for it. The C. & A.G. pointed out that it was for the Finance Ministry to examine whether they should make the P. & T. pay more for the cable or debit this to the H.C.L.

4.106. The Committee desire that the Ministry of Finance should examine the above aspect in consultation with Audit and H.C.L. to determine as to whether the extra cost on 25 per cent of the purchases made from Standard Telephones and Cables Ltd. under the provisions of this agreement should be borne by H.C.L. or by P. & T. Department.

Extra Expenditure in the purchase of Stirrup Pumps—Para 120, Page 135.

4.107. Twenty-one tenders were received by the Director General, Supplies and Disposals on 29 May, 1963, as a result of an advertised

tender enquiry issued in April, 1963 for the purchase of "Stirrup Pumps". The offers ranged from Rs. 25:50 to Rs. 116 per unit; of these the lowest tender considered acceptable was from firm 'A' at Rs. 48 per unit. The purchase decision could not be taken within the validity period up to 29 July, 1963; six extensions of the validity period were obtained from the firms from time to time—the last one being up to 31 December, 1963. Negotiations were conducted with firm 'A' on 21 December, 1963 to persuade them to agree to the estimated rate of Rs. 35 per unit. The firm, however, expressed their inability to agree to the proposed reduction. Consequently, a contract for 20,034 numbers was placed on them on 20 January, 1964 at the quoted rate of Rs. 48. The firm declined to accept the order on the ground that it had been issued after the expiry of the validity period and alleged that the provision of sole arbitration by the Director General, Supplies and Disposals, and of the firm's liability for transit losses, in the order had not been accepted by them at the time of tender. They, therefore, contended that there was no concluded contract. As a consequence, the purchase later had to be made from another firm 'B' in June, 1964 at a higher rate of Rs. 56:90 per unit resulting in an extra expenditure of Rs. 1.78 lakhs to Government.

4.108. The Committee enquired (i) the reasons for undue delay in taking a purchase decision and in finalising the deal for purchase of pumps which caused an extra expenditure of Rs. 1.78 lakhs, (ii) in view of the extensions of the validity period of the tenders, the last being upto 31st December, 1963 what was the sanctity of the contract system in this case. The witness admitted that this was a bad case and there had been a lot of delay and the Ministry was bound to fix the responsibility for such delays. Action to fix responsibility has already been initiated. He also agreed that in view of a number of extension much of the sanctity of tender was lost.

4.109. Asked whether there was some system in his Department by which such mistakes could be automatically detected, the witness replied that the D.G. had introduced certain measures in the Directorate to check these undesirable practices. In spite of best precautions, mistakes did occur and these could not be totally eliminated. The witness admitted that this case was mishandled at various stages. Regarding the six extensions, the witness stated that offers were initially open upto July, 1963 and the indenter had given an estimated cost of Rs. 35 per pump but when the tenders were actually invited, the lowest quotation was considerably higher. As such, when the funds provided were found inadequate at the rate of the lowest acceptable quotation, the indenter was asked to provide funds @Rs. 58:50. By the time (28 August, 1963) the confirmation of the indenter was received, the offers had already expired.

4.110. The Committee enquired about the number of tenders received in the first instance and the lowest quotation. The witness stated that number of tenders was 21 and lowest quotation was Rs. 25.50. The indenter initially asked for 63,802 pumps but later reduced the number to 19,810.

4.111. In reply to a question the witness stated that indent was received on 11th April, 1963 and was an ordinary one and even the delivery date was not indicated. The order was finally placed on 30th April, 1964 for 20466 pumps and the price per pump was Rs. 56.90 and this was more than double the lowest price quoted. Subsequently also in 1965, 9,000 more pumps were purchased from this company at the expense and risk of two other firms (C and D) who defaulted in respect of the orders placed on them in June 1964. As a result of this risk purchase a sum of Rs. 50,102 became recoverable from one firm and Rs. 17,340 from another. No amount on account of risk purchase has yet been recovered.

The Committee enquired if the matter regarding motives of delays and extensions were investigated, the witness stated that he had referred the matter for secret enquiry. Asked whether an order @Rs. 56.90 was placed after inviting tenders, the witness stated that limited tenders were invited. He added that legal advice for the recovery of amount from these firms 'C' & 'D' was that action to recover Rs. 50,102 from 'C' and Rs. 17,340 from 'D' could have been taken. Recovery from 'C' could be effected because that firm had assets of Rs. 75,000 but it was impossible to recover Rs. 17,340 from 'D' as it had gone into liquidation.

4.112. The Committee would like to be informed of the results of the recovery of this extra expenditure of Rs. 50,102 and Rs. 17,340 from firms 'C' and 'D' respectively. They also hope that expeditious efforts would be made to effect recoveries.

4.113. The Committee desired to know whether the Department had introduced any quicker method by which they could detect such things viz. giving of extensions and liquidation of the firm immediately on their happening etc. The witness stated that certain general control measures were there and one of them was to reduce the number of extensions and they had been able to bring down the number of extensions considerably by July, 1966.

4.114. Asked why negotiations were continued with firm 'A' to reduce the price from Rs. 48 to Rs. 35 when the lowest quotation was for Rs. 25.50, the witness stated that the inspection wing was

asked to make a capacity investigation of these firms which made the lowest offers. It was revealed that the lowest offer for Rs. 25.50 had been withdrawn and the other firm had an adverse capacity report.

4.115. The Committee enquired whether any action had been taken so far against any body in this case. The witness stated that the Assistant Director concerned had resigned and the Director concerned had retired. One of the officers was still in service and certain enquiries were being initiated against him.

4.116. The Committee regret to note that as a result of various delays in the office of DGS&D, an avoidable extra expenditure of Rs. 1.78 lakhs was incurred in the purchase of pumps. The Committee take a very serious view of such delays. The Committee also feel that the procedure prevalent in office of DGS & D, as such requires streamlining so that such delays are detected immediately and suitable remedial measures are taken in time.

4.117. The Committee also desire to be apprised of the result of the enquiries which were initiated against the officers who failed in their duty to ensure effective scrutiny and supervision in this particular case and the final action taken as a result of the enquiry.

Extra expenditure due to ambiguity in the specifications—Para 122, pages 136-137.

4.118. In response to a limited tender enquiry for the purchase of two "Production Jig Boring Machines" indented for by the Director General, Ordnance Factories in June and July, 1963, issued in October, 1963, eight tenders were received by the Director General Supplies and Disposals and opened in November, 1963. In February, 1964, the indenter to whom the offers had been sent for comments, recommended that an order might be placed on firm 'A' which was the fourth lowest and had quoted Rs. 2,14,188 per machine (inclusive of spares valued at Rs. 67,527) f.o.b. European ports; the three lower offers were rejected on the ground that they were not technically acceptable.

4.119. The Director General, Supplies and Disposals, however, did not accept the recommendations of the indenter and held that:—

"any one of the three lower offers should suit the indenter if he prepared to look from a broader angle. If not..... the acceptance of the fourth lowest offer from..... is the obvious choice".

4.120. As the indenter insisted on procurement of machines of the type offered by firm 'A' a fresh limited tender enquiry on the basis of the revised specification conforming to the machine offered by firm 'A' was issued by the Director General, Supplies and Disposals in June, 1964.

4.121. Eight firms quoted; of the three firms who had quoted lower rates on the previous occasion, two did not quote at all; the offer of the third was considered as technically not acceptable; firm 'A' this time quoted rates which were higher by about Rs. 18,500 per machine (inclusive of spares) than those which they had quoted for the same machine on the previous occasion. An order on firm 'A' was eventually placed in August, 1964. Government were thus put to an extra expenditure of Rs. 37,000.

4.122. While the Director General seeks to contend that the actual type and size of the machine required by the indenter were not stipulated in the indent and that, therefore, it was necessary for him to issue a fresh tender enquiry, the indenter maintains that the original specifications were basically the same as those incorporated in the fresh tender enquiry.

4.123. At the instance of the Committee the Department of Supply & Technical Development have furnished a note on para 122 (Appendix XVIII). In the note it has been stated *inter-alia*.

"The matter has been further examined in consultation with the Ministry of Defence, Department of Defence Production. The Audit para raises the following three points:—

- (i) There was a difference of views between the indenter and the DGS&D with regard to the specifications given in the indent which was not received before the issue of the first tender enquiry.
- (ii) Government was put to an extra expenditure of Rs. 37,000/- (inclusive of accessories).
- (iii) There was a difference of views between the indenter and the DGS&D with regard to selection of a suitable machine from the quotations received against the first tender enquiry.

4.124. The following comments are offered on the points mentioned above:

- (i) The matter has been further examined and it is considered that the specifications incorporated in the retender are not the same

as the specifications incorporated in the first tender enquiry. It is also felt that the difference of views should have been resolved if necessary by raising the level of discussion, before the first tender enquiry was issued. It should be stated, however, that the indent was an operational one and the stipulated delivery period was only 4 months. Considering the imminent danger still facing the country, the tender enquiry was issued without further delay on the lines desired by the indenter.

(ii) While it is true, as pointed out by Audit, that an extra amount of Rs. 37,500|- had to be paid for procurement of the 2 machines, it might be mentioned that the various exchanges of views leading to the issue of the second tender enquiry were not entirely without advantage. It was possible to meet the indenter's requirements at an overall cost of Rs. 5,17,998 as against Rs. 6,05,212, which would have been paid for machines and accessories against the first tender enquiry. Furthermore, the delivery period was reduced from 25 to 17 months, although it must be admitted that, because of the time that had elapsed between the first and the second tender enquiries, the actual saving in time according to the quoted date was only about 3 months. However, according to Audit the reduction in the overall cost represents the value of spares not purchased.

(iii) While the technical differences which arose with regard to the specifications should have been resolved before the issue of a tender enquiry, having regard to all the circumstances of the case, it is now agreed that a purchase could have been made from amongst the quotations received in response to the first tender enquiry, by negotiations if necessary. However, at the time, it was considered by the DGS&D that since the indenter had shown a preference for a machine involving a delivery of 25 months ex-works, there was sufficient time to reconsider the question of issuing a fresh tender enquiry to the correct specifications....."

4.125. In the opinion of the Committee a purchase could have been made from amongst the quotations received in response to the first tender enquiry, by negotiations if necessary, thus avoiding an extra expenditure of Rs. 37,000. The Committee desire that DGS&D and DGOF (the indenter in this case) should examine this case further and fix responsibility for the extra expenditure. The Committee also desire to be apprised of the final action taken in the matter.

4.126. The Committee considered it extremely unfortunate that even in the case of an operational indent for Defence requirements, the difference of views between the indentors and the

DGS & D was not satisfactorily resolved in the initial stages, necessitating calling of fresh limited tenders inquiry. They hope that such cases would not recur.

Delay in review of contracts, para 123, pages 137-38.

4.127. In the contracts for supplies, etc. the India Supply Mission London has been included a class for the levy of liquidated damages in the even of delay in supplies. In December, 1962, Government directed the Mission that this clause need not be included in the contracts valued less than £15,000 except where stores were needed very urgently. The data in the table given below indicate that there has been undue delay in reviewing the contracts, after the

completion of the supplies, for taking a decision on recovery of liquidated damages:—

Number of contracts

Year	Where supplies were completed during the year	reviewed during the year to see whether liquidated damages were due	Pending review at the end of the year	Cases where liquidated damages were held to be due		Cases where the recovery of liquidated damages waived	
				No. of cases	Amount due £	No. of cases	Amount due £
B/F from previous year	3693						
1962-63	2349	1698	4344	406	3361	1292	56,439
1963-64	2765	1154	5955	308	3220	846	18,946
1964-65							
(Upto December 1964)	2252						
(January, 1965 to March, 1965)	39*	956	7290	83	269	873	71,726

* From January 1965 onwards, only contracts exceeding £15,000 in value are being taken into account.

4.128. A proposal made by the Mission in February, 1963 to waive the recovery of liquidated damages as a matter of course in the past contracts of less than £15,000 in value without actually reviewing these cases, is pending decision with Government (January, 1966).

4.129. The Committee desired to know the total number of cases which stood closed automatically without review of the contracts and the number of cases which were pending for review. The witness stated that at the end of June, 1966, 9214 cases were pending for review in ISM, London. During the period between 1st April, 1966. and 25th August, 1966, 5718 cases had been reviewed and the balance to be reviewed was 3,496. Out of the 5718 cases reviewed, 2000 cases were closed and an amount of £1000 had been recovered and £21,887 were waived. There was not a single case so far as ISM, London was concerned which was closed because it was time-barred. As regards ISM, Washington there was only one case which was under consideration.

4.130. Asked the reasons for delay in conducting the review the witness stated that it was a time consuming process because the consignee, indenter and the firm had to be addressed to ascertain the loss incurred by the consignee. The Committee pointed out that so far as loss incurred was concerned there was no difficulty with regard to recovery of liquidated damages. The witness stated that the difficulty in the recovery of liquidated damages was that the actual damages suffered had to be proved and if these were not proved with certain amount of accuracy there was no possibility of recovering liquidated damages. In reply to a question, the representative of the Law Ministry stated that the word "liquidated damages" was unknown to Indian Contract Act and only reasonable damages could be recovered as laid down under Section 74 of the Contract Act.

4.131. The Committee desired to be furnished with all the opinions that the Department of Supply and Technical Development had received so far which had a bearing on Section 73 and Section 74 of the Contract Act along with the precedents that had been quoted there.

4.132. The Committee regret to state that the information is still awaited.

4.133. The Committee enquired about the position of the recovery of the dues held to be recoverable in 797 cases. The witness stated that the amount of £6850 recoverable in these cases had been recovered and in 3000 and odd cases the liquidated damages had

been waived because of the fact that in those cases no loss was suffered by Government, and there was no price preference in the Contract for earlier delivery or that the delay was considered not attributable to the suppliers.

4.134. The Committee note that at the end of June, 1966, 9,214 cases of contracts were pending for review in I.S.M. London. Out of 5,718 cases reviewed during the period from 1st April, 1966 to 25th August, 1966, 2,000 cases were closed and an amount of £ 1,000 had been recovered and £ 21,887 were waived. The Committee have also been given to understand that even at the end of August, 1966, 3496 cases of contracts were pending for review so far as levy of liquidated damages was concerned. That such a large number of cases (3496) were pending for review, shows that procedure for reviewing such cases requires to be streamlined. The Committee are not convinced with the reason given by the witness in evidence that the procedure of such a review is time consuming as references are required to be made to the different parties.

4.135. The Committee would like to be informed of the action taken to streamline the procedure for review of cases of liquidated damages. They also desire that the 3496 pending cases should be reviewed expeditiously.

4.136. The Committee desire that Government should take necessary steps to ensure that there is no departmental lapse in cases involving recovery of liquidated damages. For future at least Government should lay down procedure to review periodically cases of delay in supplies with a view to list out the names of the firms who are habitual in delaying the supply of stores so that suitable action can be initiated.

Waiver of liquidated damages—para 124, pages 138-139.

4.137. In respect of 7 contracts entered into by the India Supply Mission, Washington, with an Indian firm between September, 1959 and December, 1959, liquidated damages amounting to Rs. 7,766 only were levied by the Mission for belated supplies against Rs. 15.25 lakhs due in accordance with the terms of the contracts.

4.138. The firm was to supply between 31st December, 1959 and 30th September, 1960, 23,321 tons of steel to the Indian Railways, but they could supply only 1,760 tons during that period. Further extensions, the final being upto 30th June, 1961, were granted by the Mission at the firms' request, subject to reservation of right to levy liquidated damages for the delay in supplies. The firm supplied 21,293

tons during the extended period and the balance quantity of 268 tons was cancelled on 7 August, 1961 at their risk and expense.

4.139. It has been explained that only a part of the token damages were levied on account of the following factors:—

- (i) delay alleged by the firm in establishing letters of credit by the Mission;
- (ii) tight supply position in the steel market in 1959 and 1960;
- (iii) the Railway Board was unable to assess accurately the amount of loss, though they had informed the Mission that they had incurred considerable loss consequent upon delay in supply; and
- (iv) the legal adviser of the Mission had advised that in the absence of the proof of loss, litigation might not be fruitful and that the case might be settled by negotiations in accordance with the Indian usage and custom. (According to practice followed by the Director General, Supplies Disposals, only token liquidated damages of 10 per cent of the amount due are levied in case where the actual amount of loss cannot be assessed).

4.140. In regard to delay in establishing of letters of credit, the Mission had informed the firm in May, 1960 that there had been no delay on their part, while the tight position of the steel market could not have any bearing on the contractual obligations of the firm. The application of the Indian usage and custom also did not arise, as in this case the contracts were governed by the laws of the State of New York, where an accurate assessment of loss is not essential for a claim to recover liquidated damages. Even under the Indian usage the amount of the token damages worked out to Rs. 1.53 lakhs whereas an amount of only Rs. 7,766 was actually recovered.

4.141. The general question whether the Mission should not recover the liquidated damages in such cases under the laws of a State under which a particular contract was governed was referred by Audit in July, 1962 to the Government whose decision was awaited till December, 1965.

4.142. *Recovery of liquidated Damages*—The Committee desired to know whether the Government while entering into contract in this case, intended to recover the liquidated damages as provided in the contract or whether they intended

to waive them. The Secretary, Department of Supply & Technical Development explained that it was not the intention of the Government to treat recovery of liquidated damages as source of revenue. They were never of the view that if a clause about liquidated damages was incorporated in the contract, it should necessarily mean that the entire amount should be recovered. The idea was that it had to act as a deterrent for the party to fulfill the contract within the delivery schedule. However, every effort was made to recover whatever was considered reasonable. But they were always of the view that it was to serve more as a deterrent measure than as a source of revenue. As such, they felt that if liquidated damages were not recovered, no loss would be caused to the Government. Asked about the recovery of the maximum amount of liquidated damages in terms of percentage, the witness stated that they recovered 10 p.c. of 2 p.c. of the value of undelivered goods by the stipulated date provided the amount was not too excessive and this was in accordance with the advice given by the Solicitor General.

4.143. In reply to a question, the witness stated that although the contract provided for recovery of 2% of the value of the goods undelivered by the stipulated date, they did not recover more than 10% of 2%. Even this was fairly a substantial sum. Asked why this provision was not made in the contract itself, the witness stated that from a practical point of view the whole matter required careful examination so as to put it in the contract form itself.

4.144. The Committee feel that a mere recovery of nominal liquidated damages at the rate of 10 per cent of 2 per cent of the value of un-delivered goods by the stipulated date does not serve as a deterrent measure. When the contractors/suppliers know that the clause regarding recovery of liquidated damages at the rate of 2 per cent is not to be enforced and it is only 10 per cent of 2 per cent which is to be recovered, the insertion of this clause in contracts loses all the more its deterrent effect. The Committee realise that there might be some difficulties in providing pre-determined liquidated damages in the contracts, but they do not consider the insertion of the present clause regarding liquidated damage as satisfactory either. They feel that the Ministry of Supply and Technical Development should re-examine the insertion of this clause regarding liquidated damages in the contracts in consultation with the Ministry of Law and place the whole matter on a satisfactory footing. The clause as at present inserted in the contracts, does not serve as an effective deterrent.

4.145. *Amendment of Section 74 of the Indian Contracts Act regarding Liquidated Damages.*—Asked whether the recovery of sum of about Rs. 7,000 against a contract of Rs. 1,30,00,000 was a sufficient deterrent, the witness explained that according to Audit calculations it came to about Rs. 15 lakhs and 10% of that worked out to Rs. 1.5 lakhs. But only about Rs. 7,000/- were recovered and there was proper justification for that because extension of delivery period had to be given. In reply to a further question, the witness stated that they took legal opinion and the advice was not to go to court because there was no prospect of winning the case.

4.146. The Committee enquired whether there was defect in the agreement signed with the party or any defect in the procedure, as a result of which the legal expert advised that nothing could be realised by going to a court of law. The witness stated that there was no defect in the agreement. The only point was whether these liquidated damages were reasonable or not. These could be recovered provided the actual loss could be proved. The Railway Board was not in a position to indicate with any precision the amount of loss which was caused on account of delay in supplies.

4.147. In reply to a question, the witness stated that all the facts were placed before the lawyer. It was pointed out particularly that in view of the fact that the reply from the Railway Board indicated that they could not really say whether any loss had been caused or not, no damages could be demanded. So far as wagon building contracts were concerned, the Railway Board had contracts with private wagon builders as also with the Integral Coach Factory. The private wagon builders said that they had not suffered any loss and they did not claim any compensation. The Integral Coach Factory also could not indicate what loss had been suffered by them. Some delay in supplies had taken place but the material was being used for replacement etc. They did not keep separate accounts and therefore they could not identify precisely how much loss had been caused due to delay in supplies. So the court would not be able to award any penalty, because the court had to construe whether what was claimed by way of penalty or reasonable compensation for loss suffered by the party on account of the breach of contract, was reasonable.

4.148. Asked how in the Supreme Court of U.S.A. the actual proof of damage was not considered necessary for awarding damages, the witness stated that, that was perhaps not correct. He explained that contracts for liquidated damages when reasonable in their character were not regarded as penalties and might be enforced between the parties. Asked about the significance of the word

'penalty' in a contract, the witness added that even under section 74 of the Indian Contract Act where the word 'penalty' had been used and where they had said that no proof of actual loss was required to be given, even there the court had got to take a view whether the amount claimed by the party was reasonable or not.

4.149. Asked to explain why the proof of actual damage was necessary, the representative of the Law Ministry stated that it was open to a party to stipulate in the contract certain sum which they called liquidated damages and the amount so stipulated might be a genuine pre-estimate of the damage which in the contemplation of the parties they would be suffering if the contract was not performed. If the contract was broken and the plaintiff were to go to the court of law, the court would have to construe whether the amount specified was actually a genuine pre-estimate. The court would decide whether it was a penalty and if it was so decided the amount mentioned in the contract would not be recoverable and the court had to proceed on the basis that there was no provision at all regarding damages. In the circumstances, if the plaintiff wanted to recover the damages that he had suffered, then it would always be necessary for him to prove what loss he had suffered and he could recover only the exact loss he had suffered. This, the witness stated was the correct position in American Law.

4.150. Asked about the position in Indian Law, the witness stated that the question was governed by Section 74 of the Indian Contract Act. It only laid down that where a sum was stipulated as liquidated damages or as penalty and there was breach of contract then the party who complained of the breach was entitled, whether damages were proved or not, to reasonable compensation not exceeding the amount so stipulated. Where the sum had been stipulated as liquidated damages, the party was entitled to claim reasonable compensation not exceeding the amount stipulated in the contract as liquidated damages. Whether the party had suffered damages or not, the plaintiff was entitled to reasonable compensation and the court had to satisfy as to what was reasonable compensation. The court could even decide a particular sum as liquidated damages which was specified in the contract as a reasonable compensation and then it could be awarded. In reply to a further question, the witness stated that subject to the maximum prescribed in the contract, it was for the court to decide as to what was reasonable compensation. In this particular case, it was for the plaintiff to prove the actual loss which he had suffered. The Committee after some protracted discussion on the actual interpretation relating to the provisions that plaintiff must prove the actual damages or injury under Section 74 felt that there was no specific opinion from the Solicitor General on the question.

4.151. The Committee desired to know if the Department had on any occasion gone to the Court of Law to test their right under Section 74 for claiming liquidated damages. The Secretary, Department of Supply & Technical Development replied in the negative. Asked if, in view of the fact that they have been stipulating liquidated damages of 2% and recovering only 10% of 2%, it would not be proper to put this question of liquidated damages on a more satisfactory footing, the Secretary, Ministry of Supply and Technical Development stated that they would again refer the case to Law Ministry and approach the Solicitor General on the interpretation of Section 74. The Committee asked if any amendment to Section 74 would enable them to recover damages. The witness stated that the Law Commission which contained very eminent Jurists had very carefully gone into this section 74 of contract Act, and recommended that there was no need for revision of that Section.

4.152. The Committee desired to know if the fact that the firm who was given three previous extensions of delivery dates, objected to the stipulation of liquidated damages only on the fourth extension and thereby accepted the Government's right to claim liquidated damages on previous three occasions was clearly brought to the notice of the American Lawyer and if so, what were his views. The witness explained that when they obtained the legal opinion, all the facts, the entire history, all the files were sent to the lawyer for obtaining his opinion. The lawyer was aware that the firm did not object to liquidated damages on three previous occasions when they were given extensions of delivery date and only on the fourth occasion the firm disputed the claim on the grounds that the shipments were delayed for reasons beyond their control. Once they said it was beyond their control, the question of acceptance did not arise.

4.153. In reply to a question, the witness stated that the specific question that the party did not object to liquidated damages on three previous occasions and only on the last occasion they objected was not specifically put up to the lawyer. But since he had all the records before him, it was presumed that he was aware of the above fact also. What he said was that by allowing these parties to continue to deliver the goods, they would have established what in law was called equitable estopples and that was how the Department came to that conclusion.

4.154. Asked if besides the American Lawyer, any other legal opinion say from Law Ministry was taken, the witness replied in the negative. He added that only 10% of 2% was recovered, in accordance with the advice of the Solicitor General and the practice that was followed.

4.155. Asked whether at the time of the contract the Department had contemplated the recovery from the suppliers of the full amount of liquidated damages in certain contingencies, the witness replied in the negative. He further added that this provision of liquidated damages was incorporated in all the contracts. But the whole thing had to be viewed from the practical point of view namely whether the Court would award the entire amount as liquidated damages or not. One of the things which unfortunately came in the way was that this clause relating to liquidated damages was inserted in all the contracts without taking into consideration the circumstances of each case and without considering how the Court would react to such a clause. In order, therefore, to remove the lacuna from the contracts they were referring the entire question to the Ministry of Law to find out what exactly could be done as the present way of incorporating this sort of clause in the contracts was most ineffective.

4.156. The evidence before the Committee did not clearly bring out whether it is necessary to prove the actual damage, or injury to claim the liquidated damages under Section 74 of the Indian Contract Act. The insertion of a clause regarding liquidated damages will have little effect, if proof of damage or loss suffered was required to be given in each case. The Committee feel that the Ministry of Supply and Technical Development and Material Planning should obtain an authoritative interpretation again from the Attorney General as to whether it is necessary to prove the actual damage or injury while claiming liquidated damages under Section 74 of the Indian Contract Act so as to place the whole thing on a satisfactory footing.

4.157. Opening of Letters of Credit in Favour of overseas firms.—The Committee desired to know how many the intermediaries were there in this transaction. The witness explained that the Indian firm in this case was the contractors. Besides them, M/s. 'X' and M/s. 'Y' were the manufacturers and export agents respectively. In reply to a question the witness stated that no letter of credit could be opened in favour of Indian firm as under the terms of the DLF Loan, it could be opened only in favour of the suppliers. He further added that Indian Firm's quotation was the lowest and hence the contract was placed with them.

4.158. Asked if there were any negotiations with them the witness replied in the negative and added that under the terms of the DLF loan, no negotiation were permissible. In the case of AID financial procurement no negotiations were permitted after tenders were opened. They were very strict about it.

4.159. **Inspection of stores.**—The Committee desired to know if it was usual to stipulate about ISM inspection in the letter of credit. The witness stated that the terms of the contract provided that purchaser should be entitled to carry out such inspection as he deemed fit either by the ISM London or any other agency nominated by him. The Inspectors so nominated should have power at every stage to pass the inspected material in such reasonable time as the purchaser might deem fit and reject any materials which did not conform to the contract specifications. If the seller disputed such rejection, a sample should be jointly prepared and sent for analysis to an independent authority acceptable to both parties whose decision should be final and binding on both the seller and the purchaser. The cost of such inspection was to be borne by the seller.

4.160. Asked how this clause of inspection was deleted from the letter of credit in this case, the witness stated that after the inspection was carried out by the inspectors of I.S.M., there was great delay in obtaining the certificate of inspection. The suppliers did not object to inspection as such. The suppliers said that they would not be prepared to effect supplies unless they had a clear letter of credit. In reply to a further question the witness stated that although this term was stipulated in the contract they had to delete this provision at the request of suppliers. Asked if it was a special favour to the suppliers, the witness stated "It can be looked upon that way". He however, added that as they (Depts.) were anxious to get the supplies within the stipulated period and the Railway Board was pressing for it, and therefore this deletion was agreed to.

4.161. The Sub-Committee desired to know whether the Department was to be blamed if there was any delay in completing the supplies. The witness stated that M/s. 'X' informed that in case the letter of credit was opened in favour of the Indian Firm that firm in turn would have to open a letter of credit in their favour and they would not be prepared to accept such a condition. In other words what conditions were imposed on Indian Firm were not acceptable to this foreign firm. But in view of the fact that the quotation of the Indian Firm were the lowest, supplies were required urgently and the payment had to be made in foreign currency, it was felt that what they had asked for was not too unreasonable and it should be deleted. At the same time, Government's interest had been safeguarded by proper bank guarantee from the Indian Firm.

4.162. In reply to a question the witness stated that if there was any delay in effecting supplies then the suppliers were responsible for it and Government's right to recover damages remained in tact.

However, if the delay was due to delay in carrying out the inspection by D.G., I.S.M. then the receiver was responsible for it to that extent.

4.163. Asked whether there was considerable delay in obtaining the inspection certificates from D.G., I.S.M. London, the witness stated that it did take a little time for the inspection certificate to be sent to the party. Normally it took about a month or so. The suppliers would like to have these certificates within a week's time. In a Government Office where they had to deal with thousands of items and inspect different indents at different parts of England and also on the continent there was bound to be some sort of delay in getting the certificates ready. Probably the firm felt that the time taken up in preparing the certificates was too long according to their own way of working. The suppliers were not prepared to accept the delay caused in the issue of certificates because they felt it was too much. There was no such complaint from other firms in England or the continent.

4.164. In reply to a further question the witness stated that the inspection clause had to be included in the contract in order to assess that the goods manufactured, conformed to the specifications. If the goods did not actually conform to the certificate given, then they would replace those things at their own cost including transport cost bothways.

4.165. **Period for delivery of Materials.**—As the needs of the railways were urgent and at one time they were prepared to pay a higher price, the Committee enquired why the Railway Board were not consulted before granting extension of delivery date. The witness confirmed that the Railway Board was prepared to pay a higher price. He also agreed that normally they should have consulted the Railway Board. Generally, when extension of delivery period was given the indenter was consulted. But because the Railway Board were pressing for earlier delivery and they wanted the material very quickly and because better delivery terms could not be obtained the D.G., I.S.M. thought that instead of referring the matter to the Railway Board which would cause further delays, extension of delivery period should be given. The Railway Board was informed and they did not object to it. He added, normally indenter should have been asked before giving extension.

4.166. The Committee desired to know if at any stage the firm wrote that if there was any responsibility attached to this delay, it would be that of the indenter. The witness confirmed it and stated that the firm wrote on 16th January, 1961 and the I.S.M. replied on

24th March, 1961 that they could not accede to the request to remove the clause. He added that after placement of the contract on 3rd June, 1960, there was a meeting in the D.G., I.S.M. to which the representatives of those two firms and also a representative of Indian Firm was invited. Again on 16th March, 1962 there was another meeting with the representatives of the Indian Firm when agreement was reached in which they promised to pay 10 per cent of damages amounting to Rs. 77,600 plus 623.42 dollars being the price differential.

4.167. Asked to explain what maximum amount was first claimed from the suppliers when they were called for negotiations, the witness explained that on 27th July, 1961 the suppliers were given notice that they had failed to execute the contract satisfactorily and that the Government had to suffer a loss of Rs. 77,657 and they should deposit the amount with the Pay and Accounts Officer. The Bank Guarantee given through the Ruby General Insurance Company, Calcutta, was there and the total amount was recovered from them. In reply to a question the witness stated that this amount was calculated on the basis of 2 per cent of the value of the non-delivered goods from 1st January, 1961. Asked to explain why this amount was claimed from 1st January, 1961 instead of claiming for the entire year of 1960, the witness explained that the suppliers did not agree that the delay was due to any delay on their part. As such the officers of the I.S.M. felt that it would not be possible to recover the liquidated damages at least before the end of October, 1960. This decision was taken by the D.G., I.S.M. himself after consulting the D.F.A. and taking the opinion of the lawyer. The opinion of the lawyer was taken on 8th September, 1961 after the money was collected from Bank guarantees expiring on 31st July, 1961. He did not consult the Ministry nor the Railway Board in the matter. The damages that were claimed amounted to Rs. 77,660 only.

4.168. The Committee desired to know how the contractual obligations regarding damages etc. came to be overlooked in finalising this contract, the witness explained that this was a special type of contract. Besides the Indian Firm, there were two other parties viz. the suppliers and the export agents. The supplier and the export agent claimed that the delay was caused due to circumstances beyond their control and as such the D.G. felt that it would be difficult to recover the liquidated damages. There were similar other cases wherein such damages had not been recovered to the full extent.

4.169. In reply to a question the witness stated that they claimed Rs. 77,660 instead of Rs. 1.5 lakhs because, the Department were sure from past experience, that full amount of liquidated damages could never be claimed nor the court would allow it. The legal opinion was that it would not be possible to recover even that.

4.170. The Committee desired to know whether there was any letter from the Indian Firm contesting this amount of Rs. 77,660 as liquidated damages, the witness replied in the negative. He further added that a representative of the Indian Firm made a strong verbal protest against the arbitrary recovery of the huge amount.

4.171. Asked to explain how in the absence of any letter from the party the Government agreed to scale down the damages, the witness stated, "I do not know. There is no letter in my file. He came and protested". He further added that after the compromise was affected there was a letter from the Indian Firm. It was dated 14th January, 1963 and its contents were as follows:—

"As desired by P. & A.O. on the question of refund of amount due to us, we hereby undertake to remain responsible and pay to the Government any further claims relating to the above which may be found out at a later date and which may be legally due from us. We would request you to advise the Calcutta Office to release our refund early."

4.172. In reply to a question the witness stated that on 19th March, 1962 the firm's representative was called for negotiations and an agreement was reached. In that he promised to pay 10 per cent of the liquidated damages of Rs. 77,660 plus 623 dollars being price differential. They further agreed that any claim for which examination was not complete now and found to be legally due from the firm they would be responsible for settlement of such claims if the claims were lodged before 30th June, 1962, which was subsequently extended to 31st August, 1962.

4.173. Asked to explain what directions were given by the Ministry of W.H. & S. to D.G. I.S.M. the witness explained that the direction was that the Mission might try to negotiate and settle at this percentage (10 per cent). So they called him for negotiations. A letter was issued in December, 1961.

4.174. The Sub-Committee desired to know the actual amount of the bank guarantee, the witness explained that the amount was Rs. 3,25,972, and it was released on 23rd August, 1962. In reply to a further question the witness stated that the directive was in De-

cember, 1961, for settlement of the case. The amount of Rs. 7766 plus \$ 623 was recovered from the firm and it was in possession of the Government.

4.175. *Assessment of loss to Railways.*—Asked to explain why the Railways could not assess the actual damage suffered by them, the representative of the Railway Board explained that the Railways could not assess the actual loss which had to be established by actual proof. They could not do so because the material which was received was stocked in bulk and was used for different purposes. It was so in the case of materials obtained against maintenance requirements by different zonal railways. The material was obtained on an *ad hoc* basis. It was not asked for or it was not intended for any specific purpose.

4.176. In reply to a question the witness stated that 9000 tons were required for wagon building. It was impossible to establish the precise loss. Therefore, they intimated that although certain items which were asked for were not received in time, they could not establish the precise loss.

4.177. The Ministry of Railways (Railway Board) informed the Public Accounts Committee in a written note regarding assessment of the loss resulting from the delay in supplies of the materials in this case *inter alia* as under:—

“In the case of private wagon builders, the question of extra expenditure against the contract of steel arises only if the builders in their turn have claims against the railways—with reference to these contracts of steel. No such claims have been received”. “Regarding Railways Integral coach factory also, there has been no report from them about any specified amount towards extra expenditure.”

4.178. Asked to explain the number of wagons they manufactured against licensed capacity of 35,000 wagons by the end of the Second Five Year Plan, the witness stated that the number of wagons that were produced in the last two years of the Second Five Year Plan, were 10,245 and 11,737 in 1959-60 and 1960-61 respectively.

4.179. The Committee regret to find the manner in which the contractual obligations were violated at each stage in this case as detailed below:—

- (i) The letter of credit had to be opened with the overseas suppliers instead of with the contractors (Indian Firm) and the inspection clause had to be deleted from it at the behest of the suppliers as a special case.

- (ii) The contract was entered into on behalf of the Railway Board who needed the goods urgently and yet when the extension of delivery was conceded the Railways were not consulted in advance and the D.G., I.S.M. in his own discretion gave the extension.
- (iii) The sum of Rs. 77,660 was claimed from the firm as liquidated damages for failure to execute the contract satisfactorily. When even under the Indian usage a sum of Rs. 1.53 lakhs should have been claimed for that. According to the provision in the contract the amount which could be claimed as liquidated damages came to Rs. 15.25 lakhs.
- (iv) The liquidated damages were scaled down without any request in writing from the firm on the basis of a verbal protest lodged by a representative of the firm. As a result, the Ministry recovered Rs. 7,766 plus \$623 i.e. Rs. 10,700 as against Rs. 77,660 claimed originally.
- (v) At the time of scaling down the liquidated damages no account was taken of the loss suffered by Railways for late delivery of the material since the Railways could not assess their loss with any degree of accuracy.

From the above the Committee observe that adequate steps were not taken to safeguard financial interest of Government in this case. The deletion of inspection clause from the letter of credit had no basis except that the I.S.M. showed a special favour to the firm. The firm's argument that the inspection certificates were delayed abnormally had no basis as there was no such complaint from any other similar firm either in the U.K. or on the continent.

4.180. The Committee also regret to note that the Railway Board could not assess precisely the damage/loss suffered by them, as a result of delay in receipt of supplies in this case. The very fact that a large quantity of steel involved in this case was required for the manufacture of wagons could have given some basis to the Railways to work out the amount of the losses suffered by them. It is unfortunate that the Railways did not calculate the loss for claiming the liquidated damages. The net result of all this has been that the firms delayed abnormally the supply of materials and were also let off by a levy of nominal damages i.e. Rs. 7766 against Rs. 1.53 lakhs leviable under the Indian usage and Rs. 15.25 lakhs which could be claimed as liquidated damages under the terms of contract.

Delay in recovery of liquidated damages—para 125, page 139.

4.181. Three contracts were placed by the India Supply Mission London, in January, 1953 for the supply of 21 loco boilers, and 1 con-

tract in June, 1956 for 365 Bogie coaching underframes on two continental firms, of a total value of £ 976,903. The contracts provided for the delivery of the boilers between October, 1954 and March, 1955 and of the underframes between April, 1957 and July, 1957. The deliveries of the boilers were completed in October, 1956 and those of the underframes in March, 1958. According to the terms of the contracts, a sum of £ 154,496 became due from the firms as liquidated damages on account of delay in supplies.

4.182. The claim for liquidated damages amounting to £ 28,810 (Rs. 3.84 lakhs) for the delay in supply of boilers was refuted by the firm in December, 1958 on the grounds that they could not proceed with the manufacture of boilers as per schedule because of the delay in inspection of raw materials at sub-contractor's works and delay in clarification of technical details by the Mission. Although the final payment was made to the firm on 11 January, 1957, the question of recovering liquidated damages has not yet been settled (July, 1965).

4.183. Against a claim of £ 1,25,686 (Rs. 16.76 lakhs) on account of liquidated damages for the delay in supply of underframes, the firm offered a sum of £ 5,000 on 11 April, 1960 (increased to £ 6,000 on 24 July, 1961) in final settlement. But the question of recovering liquidated damages has not yet been settled (November, 1965).

4.184. The Committee desired to know the reasons for the delay in the inspection of raw materials and in clarification of technical details and whether any responsibility had been fixed. The representative of the Ministry stated that the question of delay in the inspection was gone into by the Senior Railway Inspector who was stationed in the I.S.M., London on several occasions in 1955 and also in 1959 and the I.S.M. had been refuting this charge of delay in inspection. Subsequently there was a meeting in the I.S.M., London in the month of March, 1962. As was done on previous occasions, the firm's representative levelled this charge against I.S.M. But the I.S.M. had been consistently refuting this charge. There was no doubt a certain delay in giving the necessary drawings to the firm. But that delay was accounted for in calculating the liquidated damages.

4.185. The Committee enquired whether manufacturers accepted the position that there had been no delay in inspection. The representative of the Ministry stated that the I.S.M. Inspector did not accept the charge of delay in inspection. He stated that the delay was on the part of the sub-contractors. There were heavy rejections

in the work of the sub-contractors by the inspector. That was why the firm did not get necessary materials from the sub-contractors.

4.186. In reply to a question, the witness stated that out of the total claim of £1,54,496 (£28,810 in one case and £1,25,686 in another case) the total amount recovered was £648 in one case and £7000 in another case. The firm was saying all along that they were not prepared to pay anything. The I.S.M. also could not go to Court of Law to uphold their claim, as the legal advisers had stated that unless there was pre-determined liquidated damages clause in the contract, they could not recover more than the actual damages. The Railway Board, in this case, stated that they could not say what the actual damage was. Further the witness stated that the actual damages suffered had to be proved with accuracy. To a question, the witness stated that the figure of £28,000 was arrived at initially at the rate of 2 per cent of the value of the order. The clause which was inserted in the contract for claiming liquidated damages was a routine one, but it was not for pre-determined one.

4.187. At the instance of the Committee the Department of Supply and Technical Development have furnished copies of the opinion given by the legal adviser, the German Solicitor and other lawyers who were consulted by the Department as to whether any liquidated damages could be recovered in this case and on the basis of which Government decided not to go to the Law Courts. (Appendix XIX).

4.188. The Committee enquired why the final payment was made to the firm when there was actually the breach of contract. The witness stated that the legal adviser said that in terms of the contract they could not withhold any money due to the firm. There were special conditions of payment. A letter was issued in 1959 to the Railway Board saying that liquidated damages to the extent of 10 per cent of the amount calculated at 2 per cent should be recovered only in respect of the stores as boilers etc. The Railway Board replied on 28th May, 1959 saying that it would not be possible to assess the loss with any degree of accuracy.

4.189. The final payment had already been made in this case and there was no provision from pre-determined damages in the contracts. The Department could also not recover liquidated damages as provided in the contract except to the extent agreed to by the firm of the negotiations. The Committee pointed out that insertion of a clause regarding liquidated damages in the contract was infructuous. The Secretary Ministry of Supply and Technical Development stated

"It is really of not much value". He promised to get the opinion of the highest legal advisers on this issue again.

4.190. The Committee are of the opinion that the insertion of a clause for liquidated damages in the contract is infructuous if it is not possible to enforce the same.

4.191. The Committee, therefore, suggest that the Department should again obtain the advice of the Attorney General as to whether it is necessary to prove the actual damage or injury, when there is already a clause of liquidated damages in a contract. In this connection they would like to invite attention of the Ministry to para 4.156 of this report.

4.192. The Committee enquired:—

- (i) The basis for compromising the claim for liquidated damages in respect of the contract for underframes for a sum of £7000 only as against £1,25,686.
- (ii) How the assessment was made of the damages due to delay in the delivery of goods by the firm.
- (iii) Why the Department had taken so many years in arriving at a final settlement in these cases. The witness stated that in this case, the firm brought to the notice of I.S.M. that they were required to deliver 55 underframes in April, 1957, 100 in May and 110 in June, 1957. The matter was referred to Shipping agents in London, who said it was not possible to book so many ships and at the most it would be possible to book 55 underframes per month. There was acute shortage of ships in 1957 and maximum effort was made by I.S.M. to book as many ships as they could, for despatch of the underframes. The Railway Board was also asked whether the underframes could be shipped independently of the bogies. They agreed to the despatch of underframes first and later the bogies. The witness added that apart from the shipping difficulties mentioned by the firm, there was the difficulty for the firms themselves, in getting the raw materials.

4.193. As regards the final payment to the firm, the Secretary, Department of Supply and Technical Development stated that under the terms of the contract the last 10 per cent of the payment was to be made within 60 days of the arrival of goods in India. As soon as the goods arrived in India and 60 days elapsed the full payment had to be made and the payment of 10 per cent on account of liquidated damages could not be withheld. The question was gone into by the

legal adviser and the advice was that the payment should not be withheld.

4.194. The Committee enquired as to what was the difficulty for the Railway Board to assess the loss. The representative of the Railway Board stated that for the assessment of loss, the actual loss incurred had to be established. The underframes were used for the purpose of building on them and therefore, unless and until the underframes were built on, they by themselves would not earn anything. That was why, the Railway Board stated that they would not be able to specify or indicate the loss.

4.195. As regards boilers also, by themselves, they did not earn anything at all. These particular boilers were kept for purposes of repairs and replacement.

4.196. In reply to a question, the representative of the Department of Supply and Technical Development stated that Government had no hold on the firm. After having made the payment, the only course left was to go to Court of Law. There were several meetings with the firm in the I.S.M. and after much bargaining, the firm was made to agree to pay £7000 only against £1,25,686.

4.197. The witness further stated that the Ministry of Law was consulted in the matter. He added that it would be very difficult to get competitive prices if this penalty or liquidated damages was insisted upon. In fact what happened was in the cases where liquidated damages were collected, when placing future orders with those firms, they recovered it in the prices which they quoted. Actually that had been the experience. The Committee asked if in the light of experience of this case, the Department had revised the form of Contract. The witness assured the Committee that Government would look into it and try to see whether they could revise the contract form for future.

4.198. The Committee regret to note that in the case of supply of underframes, the Department could recover only £7000 against the claims of £1,25,686 on account of liquidated damages for delay in supplies. The Committee are left with an unfortunate impression that either the terms of contracts were vague or claims as per terms of contracts were not pursued properly with the result that the firms who delay supplies considerably, are not charged liquidated damages as per terms of contract.

4.199. The Committee feel that after getting the best legal advice as already suggested, the Government should find out if any change is called for in the contract form as it exist at present.

Unauthorised Financial assistance to public undertakings para 154, page 191:

4.200. According to the procedure laid down by Government in August, 1958 public undertakings (including undertakings under the administrative control of State Governments), which are authorised to place orders for purchases on the suppliers in foreign countries, are required to deposit in advance with the Accounts Officers concerned in India the rupee equivalent of the amounts to be paid for the supplies on their behalf by the High Commission of India, London/India Supply Mission, Washington. It has, however, been noticed that the undertakings have not only defaulted in depositing the amounts in advance but there have also been considerable delays on their part in re-imbursing to Government the amounts paid by the High Commission, London/India Supply Mission, Washington. A few instances are given in Appendix XX.

The delays in reimbursement have resulted in unauthorised financial assistance to public undertakings.

4.201. The Committee were informed in evidence by a representative of Department of Supply and Technical Development that the instances pointed out in Appendix XVI to Audit Report (Civil) 1966 related to the direct purchase orders placed by the undertakings on the foreign suppliers. As such neither the Ministry of Supply nor the India Supply Mission, London, were aware of these orders, nor they had any idea as to whether the new arrangement of payment was working satisfactorily. The D.G.S. & D. also had nothing to do with these orders.

4.202. The Committee desired to know why the payment was made by Government when the orders were placed direct and not through DGS&D., the representative of the Ministry of Finance explained that the Government procedure for public undertakings would have been to make arrangements as the private sector did, but in this case the consideration was that most of these items qualify for reimbursement under foreign aid programme and in order to ensure quick utilisation of foreign credits, arrangements were made with the Chief Accounts Officer to make payments and claim reimbursement.

4.203. In reply to a question, the witness stated that the procedure did not provide that payments might be made on behalf of the under-

takings but it provided that they should make deposits in India within 15 days on the basis of which payment had to be made. But in case an undertaking acted contrary to this procedure, then the payments accumulated to a large extent and there was no check on it. In a particular case when the amount accumulated to the extent of Rs. 7.44 crores, the witness stated that this accumulation was spread over a long period. He added that the circumstances in which heavy amount accumulated, could be better explained by Ministry of Industry.

4.204. Asked why this procedure was approved the witness stated that even at the time the procedure was laid down, it was envisaged that if any cases of this type came up, they would reconsider it. The disbursement made in the High Commission came under the Administrative Control of the Ministry of External Affairs but so far as accounts matters were concerned, the Ministry of Finance issued instructions with the approval and concurrence of the C. & A.G. The non-observance of the procedure laid down was brought to the notice of the Finance Ministry, in the middle of 1964. It was impressed upon the Ministries concerned by Ministry of Finance to arrange payments. Asked why the payments were continued to be made till September, 1965 when defaults had already been brought to their notice in July, 1964. The witness stated that the Finance Ministry had written to the ministry concerned and through them this particular firm viz., Heavy Electricals was informed. It was particularly pointed out that M/s. Heavy Electricals were abusing this facility of payment being made by Chief Accounting Officer and this facility would be stopped if the amounts were not deposited within two weeks. In reply to a question the witness informed the Committee that there were two other such undertakings viz. Andhra Pradesh State Electricity Board and the Praga Tools Corporation Ltd., Hyderabad which had also defaulted in making the requisite deposits.

4.205. The representative of the Ministry of Industry informed the Committee that the Heavy Electricals had pointed out to the Government in 1963-64, 1964-65 and 1965-66 that the funds placed at their disposal were insufficient to meet their liabilities. Earlier attempts to get adequate funds from the Finance Ministry and providing them to the Heavy Electricals Ltd. failed. The position was remedied in 1965-66 and when adequate funds were made available, these outstandings were cleared. The Committee enquired if the Government had examined how these contracts were placed direct by the undertakings with foreign suppliers without placing indents on the D.G.S. & D./I.S.M. The representative of Ministry of Supply stated that under the existing orders, it was not binding on public

undertakings to place orders on D.G.S. & D. The Secretary of the Ministry of Industry stated that this undertaking from the very beginning purchased most of the things from MEI of U.K. or their associates and placed orders with them on the basis of quotations and negotiations of prices. The undertaking negotiated the prices with the foreign suppliers, placed direct orders and payments were made through the Chief Account Officer in U.K. The terms of payment were negotiated by the Government and the payments were made when supplies were made.

4.206. At the instance of the Committee the Department of Supply and Technical Development had furnished a note wherein it has been stated:—

“The terms of payment against the Contracts with the suppliers in the U.K. for the purpose of goods are settled by Heavy Electricals (India) Ltd. As per terms of payment Deputy Manager (P) London, authorises the payment certificates in favour of the supplier addressed to the Chief Accounts Officer in Office of High Commissioner in London. The actual payment is made by the Chief Accounts Officer out of U.K.—Credit allocations. The Company has to deposit an equivalent amount with Accountant General, Madhya Pradesh in Rupee currency.”

4.207. In reply to a question, the Secretary, Ministry of Industry informed the Committee that they approached the Ministry of Finance for funds to the tune of Rs. 435 lakhs on 4th July, 1964 and on earlier occasions also (March, 1964) because they had to pay this amount in respect of U.K. transfers but against this amount of Rs. 436 lakhs, only Rs. 150 lakhs were given. The representative of the Ministry of Industry further stated that in so far as the requirement of procedure was concerned that deposits should be made in advance from time to time, it could only be complied with if the necessary funds were forthcoming. In 1966-67 the Ministry of Industry had completely covered their requirement in the budget.

4.208. The Committee desired to know if the Government had considered charging of penal interest on the amounts which had remained outstanding from this firm or other such public undertaking. The witness stated that interest was being paid but it was not known whether it was penal interest.

4.209. In a note furnished subsequently the Department of Supply and Technical Development have stated—“No interest has

been charged and paid during the years 1963, 1964 and 1965 on the outstanding amounts due to Accountant General, Madhya Pradesh."

4.210. The Committee feel that had the Government charged some penal interest, on the amounts outstanding from the public undertakings, it would have served as a deterrent and the public undertakings would not have delayed in making payments.

4.211. The Committee enquired whether the Ministry of Finance had now ensured that such omissions would not take place in future. The representative of the Ministry of Finance stated that the concerned departments or officers under their control had now been specifically instructed to stop making payments in cases where their instructions were not being complied with strictly. It had only been stated that this facility would be stopped to that particular undertaking if this facility was abused. The C.&A.G. pointed out that for fool-proof procedure at least for the future necessary instructions should be issued. There must be some procedure by which the Accounts Officer must be informed that the deposit had been actually made failing which he must not make the payment. The representative of the Ministry of Finance stated that they would certainly issue fresh instructions on the lines suggested by the C. & A.G. The representative of the Ministry of Industry stated that it would be better if advance deposits could be made but as the orders were placed a year or two in advance, much depended upon the budgetary position of these undertakings. As these undertakings were 100% Government owned and responsible to the Government for accounting purchases, production and profits, the Finance Ministry might consider whether advance deposits need be insisted upon.

4.212. The Ministry of Finance, have subsequently intimated as under:—

"We have issued instructions that in future the C.A.O. will not make any payments in respect of contracts placed by the public Sector Undertakings, including the State Electricity Boards, direct on the Suppliers abroad. Three months' time is however proposed to be allowed to change over to the new arrangement in cases where contracts have already been entered into but even here the instructions provide that payments abroad will be made after verifying that Rupee deposits have been made....."

The Ministry of Finance have also intimated that a revised procedure for payment in respect of order placed through the overseas

purchase organisations either direct or against D.G.S.&D. cross-mandates has since been prescribed after consultation with the C. & A.G.

4.213. The Committee are glad to note that the Ministry of Finance have issued revised instructions promptly.

4.214. The Committee hope that as a result of the instructions for making payments to overseas suppliers for purchases made by Public Sector Undertakings (other than Government Departments) the cases of delays in the re-imbursement of the amounts by the Public Sector Undertakings will be eliminated in future. The Committee hope that the Ministry of Finance would keep a watch over the new procedure to ensure its smooth working.

14.215. The Committee desired to know how this practice of the concessions given to the undertakings by the Ministry in November, 1958 and September, 1959 had worked. The representative of the Department of Supply and Technical Development stated that the present practice in operation was that the public sector undertakings had to deposit an initial amount of Rs. 1 lakh in case the amounts involved were more than Rs. 5 lakhs, and in such cases the India Supply Mission, London was in a position to watch whether such a certificate had been given in the indent or not. The India Supply Mission, London had intimated that during the last one or two years such orders had been considerably decreasing and in very few cases the undertakings had to make deposits in advance but whenever pre-deposits had to be made it was ensured that the requisite certificate existed in the Indent. Asked about the latest position the witness stated that an amount of Rs. 5.68 lakhs had been recovered from Visakhapatnam Port in 1965. Out of Rs. 2.65 lakhs, Andhra Pradesh Electricity Board had refunded Rs. 1.60 lakhs and information about the balance could not be obtained. The witness further stated that there was a lacuna in the accounting instructions as to who should watch the deposits, and this lacuna should be remedied. Asked when the payments, in case of Visakhapatnam Port, were made in October, 1964, December, 1965 and January, 1966 whether the DGS&D or ISM were aware of it that the Port Trust had become independent body *w.e.f.* 29th February, 1964 or not and if so, why advance payments were not insisted upon. The witness informed that the indent was placed by this Port Trust on 6th May, 1963 when it was a Government organisation under Ministry of Transport and under rules a Government Department was not required to make a pre-deposit. The Port Trust became an independent body on 29th February, 1964. ISM, Washington intimated in another case that the Electricity Board of Andhra Pradesh was a Government Department though later on it had been converted into a public.

undertaking and they were not aware of that conversion. From this it was assumed that I.M.S. were not aware that Vishakapatnam Port Trust which was a Government organisation became autonomous body w.e.f. 29th February, 1964.

4.216. The Committee desired to know whether Government had come to a final decision in regard to the P.A.C. recommendation made in Para 10.45 of their 54th Report (Third Lok Sabha) regarding reversion to the old system of obtaining deposits from local authorities in advance and streamlining the procedure of making recoveries from non-Government parties. In reply to this the witness informed that that question had been gone into in great detail in a inter-departmental meeting and as a consequence of that no post-deposit facility was being extended to any new undertaking despite their requests. Further they had asked the existing post-deposits parties to refund the amount by 15th August, 1966 failing which this facility would be withdrawn. Letters had been received from various Ministries that the outstanding amounts had considerably come down as a result of this drive. The payments made till 31st March, 1966 were Rs. 46.99 crores and the outstanding amount on 28th August, 1966 was Rs. 5.38 crores. The biggest debtor in this amount of Rs. 5.38 crores was the National Coal Development Corporation. The amount involved was 4.16 crores.

4.217. At the instance of the Committee the Department of Supply and Technical Development has furnished a note showing the action taken on their recommendations contained in para 10:45 [S. No. 123 of Appendix I of 54th Report of P.A.C. (Third Lok Sabha)] regarding reversion to the old system of obtaining deposits in advance from the local authorities and streamlining the procedure of making recoveries from non-Government parties. (Appendix XXI).

4.218. The Committee hope that as a result of the drive, initiated by the Ministry the outstanding amounts of deposits will come down considerably and payments will be made promptly in future. They also desire that watch should be kept over the outstandings so as to liquidate them as early as possible.

V

GENERAL

Audit Report (Civil), 1966

Utilisation Certificates—Para 127 (b) (i), page 143.

5.1. A certificate of the utilisation of the grant is required to be furnished by the sanctioning authority to the Accountant General for every grant, specifying that the grant has been utilised on the objects for which it was sanctioned and where the grant was conditional, the conditions have been fulfilled. If such certificates are issued in time, the sanctioning authorities can, before the payment of further grant-in-aid, satisfy themselves (by a scrutiny of the certified accounts rendered by the body or institution concerned) that the grants, already given, have been utilised in full and that there were no heavy unspent balances lying with them. The extent to which delays have occurred in the issue of utilisation certificates is indicated below:—

Name of the Ministry	Period to which the grant relates	Number of utilisation certificates outstanding at the end of September, 1965	Amount (in lakhs of rupees)
1	2	3	4
Education	1954—65	2,302	2,13
Health	1954—65	1,539	626
Community Development and Cooperation.	1960—65	88	437
Cabinet Secretariat	1961—65	72	400
External Affairs.	1960—65	34	188
Food and Agriculture			
Deptt. of Agriculture	1961—65	97	111
Deptt. of Food.	1961—65	7	8

I	2	3	4
Department of Social Security	1955—65	237	73.
Rehabilitation	1955—65	103	70
Commerce	1960—65	76	60
Industry and Supply (Deptt. of Industry)	1961—65	24	57
Information and Broadcasting.	1959—65	84	52
Home Affairs.	1960—65	73	25
Planning Commission	1964—65	35	14
Civial Avition	1963—65	7	13
Finance	1963—65	8	10
Irrigation and Power	1961—65	30	8
Works and Housing	1961—65	31	5
Transport	1960—65	27	2
Labour and Employment	1963—65	8	2
Law.	1964—65	4	2
TOTAL		4,886	4,294.

5.2. Giving the latest position of the pending utilisation certificates relating to the Cabinet Secretariat, the Deputy Secretary, Cabinet Secretariat stated that there were 68 utilisation certificates pending involving an amount of Rs. 393 lakhs. The witness further added that out of these 68 pending certificates, the effective certificates pending were about 15 only because the rest of the payments were on-account payments against the same sanction.

5.3. In a note submitted to the Committee, the Department of Civil Aviation have stated that six utilisation certificates for the year 1964-65 in respect of different flying clubs could not be issued as approval of their accounts was held up for some reason or the other.

5.4. The Committee were informed in a note from the Department of Transport and Shipping that out of 27 cases shown against this Department, 21 cases pertained to the Department of Aviation and Tourism. Out of the remaining six cases, in one case the certificate had since been issued and in five cases these were not required as they related to subsidy.

5.5. Of the 67 outstanding utilisation certificates, the Department of Social Welfare, in a note to the Committee, have stated that 39 sanctions involving Rs. 8,01,100 were issued by the former Ministry

of Rehabilitation during the years 1955-56 to 1957-58 and the relevant old records of that Ministry were not available now. Efforts were being made to obtain the certificates or their duplicates, as the case might be. Delay in the issue of certificates in most of the remaining 28 cases was due to non-receipt of audited statements of accounts and scrutiny of the same in some cases involving protracted correspondence with the grantees.

5.6. The Committee note with regret the delays in furnishing utilisation certificates by the grantees. The Committee reiterate their earlier recommendation contained in para 80 of their 39th Report (Third Lok Sabha) and regret to note that the efforts of the Ministry of Finance in streamlining the procedure for submission of utilisation certificates in time have not yielded the desired results. The Committee do not appreciate the same arguments for delays being put forward again and again by the different Ministries/Departments and desire that the Ministry of Finance in consultation with C. & A.G. should review the procedure and issue suitable instructions for the guidance of all the Ministries/Departments so that they could speed up the submission of the utilisation certificates.

5.7. In a note the Ministry of Commerce have stated that according to the revised intimation from Audit, the Ministry have to furnish certificates in respect of 111 items amounting to Rs. 73 lakhs (approximately). Utilisation certificates in respect of 54 items amounting to Rs. 37.23 lakhs are yet to be issued. The delay is stated to be due mainly to belated receipts of audited accounts of the grantee as it normally takes time for the completion of the accounts and its audit by chartered accountants.

5.8. The Committee would desire the Ministry to take up the matter with the grantees so that the completion of accounts etc. could be done within a reasonable time.

5.9. The Department of Rehabilitation, in a note to the Committee, have explained that out of the 103 outstanding cases, 9 cases amounting to Rs. 33.70 lakhs concerned the Ministry of Works, Housing and Urban Development and 3 cases amounting to Rs. 0.60 lakh related to the Ministry of Education. The Department of Rehabilitation was thus to furnish utilisation certificates only in 91 cases amounting to Rs. 36.02 lakhs.

5.10. Out of these 91 cases, utilisation certificates in respect of 24 cases amounting to Rs. 12.21 lakhs had been furnished to Audit leaving 67 cases amounting to Rs. 23.81 lakhs. Of these 67 cases certificates for part amounts aggregating Rs. 1.58 lakhs had also been furnished to Audit in 2 cases.

5.11. The reasons for non-submission of the utilisation certificates in respect of the 67 institutions were that in most of the cases the institutions had asked for extension of the period of utilisation grants as they could not spend the amount of construction of buildings due to shortage of building material etc., the accounts submitted by the institutions were defective and infructuous correspondence with the institutions most of which were located outside Delhi.

5.12. The State Government had, however, been requested by the Department of Rehabilitation on 21st July, 1966 to exert pressure on the institutions in their jurisdiction for the submission of utilisation certificates.

5.13. The Committee regret to note that the Department of Rehabilitation was too slow in issuing utilisation certificates as will be evident from the fact that the Department could issue utilisation certificates in respect of 24 cases only against 91 outstanding cases. The Committee feel that the Department of Rehabilitation should have a better control over these institutions to whom grants were/are released and should try to persuade them to furnish the certificates and information connected thereto without any undue delay.

Outstanding Audit Objections—para 152, pages 187-188.

5.14. The financial irregularities and defects in accounting procedure noticed in Central Audit are brought to the notice of the Departmental authorities through objection statements. Half-yearly reports of outstanding audit objections are also forwarded by Audit to the Administrative Ministries for taking necessary steps to expedite their settlement. The volume of outstanding objections relating to the period ending 1964-65, as indicated below, shows that the action taken by the departmental authorities to settle the objections has not been adequate.

(i) The number of outstanding objections is large in the Ministries noted below and in their attached and subordinate offices:—

Ministries.	Total number of objections relating to the Ministry and their attached and subordinate offices.	Total amount (Rs. in lakhs)	Number of objections raised prior to April, 1962	Amount (Rs. in lakhs)
I	2	3	4	5
Works & Housing*	22,116	2,156	5,707	311
Home Affairs.	10,205	655	1,831	52

*Includes objections outstanding in the books of the Pay and Accounts Officers.

1	2	3	4	5
Irrigation & Power. . . .	1,700	386	289	1
Rehabilitation*	3,795	276	670	25
Civil Aviation	4,557	264	1,646	7
External Affairs. . . .	7,557	217	3,439	32
Food & Agriculture*	4,035	106	528	7
Industry & Supply	2,761	49	559	32
Education	1,894	33	225	11
Finance	7,822	29	1,124	3
Transport	1,132	25	569	11

(ii) The following is a broad analysis of the outstanding objections:—

Nature of objections.	No. of items	Amount (Rs. in lakhs)
(a) Want of sanctions to estimates, expenditure, etc.	937	892
(b) Excess over sanctioned estimates.	440	218
(c) Want of detailed contingent bills, vouchers, payees' receipts, etc.	7,073	256
(d) Want of stamped acknowledgements or other documents, etc.	27,278	2,157
(e) Non-recovery of overpayments/amounts due, or want of sanction/administrative approval to write off	2,636	40
(f) Advances pending adjustments/recovery	2,463	21
(g) Want of acceptances, adjustment bills and ratification of the depreciation value.	5,415	282
(h) Non-verification of reasonableness of prices, identical items of spares paid for at different prices, ordering of obsolete stores and non-availing of rebate.	23	32
(i) Want of agreements.	49	54
(j) Other reasons.	14,690	276

The entire expenditure in respect of which the detailed bills and vouchers are not submitted escapes audit scrutiny altogether for an unusually long period.

*Includes objections outstanding in the books of the Pay and Account Officers.

***Outstanding Inspection Reports—Para 153, pages 188-190.**

5.15. The audit done in Central Office is supplemented by local inspection. All important financial irregularities and defects in initial accounts noticed during local audit and inspections are included in Inspection Reports and sent to Departmental Officers for necessary action. Besides, copies of the Inspection Reports, and half-yearly statements of outstanding Inspection Reports are also forwarded to the Administrative Ministries.

5.16. The names of the Ministries with comparatively large outstandings are shown below:—

Ministry/Department	Year of issue of the earliest outstanding Reports.	Number of outstandings	
		Reports	Items in Reports
Finance	1950-51	483	1,105
Rehabilitation	1950-51	779	3,571
Works and Housing	1948-49	792	6,230
Home Affairs.	1947-48	566	2,610
Education	1950-51	835	2,820
Food and Agriculture	1956-57	519	2,456
Labour and Employment	1955-56	140	482
Health	1956-57	129	530
Community Development and Co-operation	1950-51	104	283
Department of Social Security	1951-52	245	462
Commerce	1956-57	162	712
Industry and Supply	1949-50	179	607
Civil Aviation	1955-56	101	1,286
External Affairs.	1952-53	173	1,208

5.17. The Committee examined the representatives of the Ministries of Commerce, Home Affairs, Labour, Employment and Rehabilitation (Department of Labour and Employment), Department of

Social Welfare, Transport and Aviation (Department of Transport and Shipping) and Finance in regard to the outstanding audit objections and inspection reports relating to their respective Ministries/Departments.

5.18. In the note submitted by the Ministry of Commerce to the Committee, it had been stated that the Ministry was concerned with 160 outstanding inspection Reports and 705 paras of Report as against 162 Inspection Reports and 712 paras of Report shown outstanding against this Ministry in the Audit para. Out of the 705 outstanding paras, 230 paras of Inspection Reports had been either fully settled or were in the process of being settled. The balance thus was 475 paras which remained to be settled. The Committee were further informed that the Ministry have already taken various steps to ensure speedy settlement of Audit objections and Inspection Reports.

5.19. In a note submitted at the instance of the Committee, the Ministry of Home Affairs have stated that majority of the audit objections and items of Inspection Reports related to NEFA Administration. The total number of objections pending for more than three years as on 31st March, 1965 was 1,831. The Ministry of Home Affairs have since taken special steps to clear the backlog of pending Audit objections and Inspection Reports and to ensure their prompt clearance in future. According to the latest monthly progress reports received from the various attached and subordinate offices of this Ministry and Union Territories (including NEFA) the number of Audit objections and paras of Inspection Reports relating to this Ministry raised prior to 31st March, 1965 and still remaining to be settled was as under:—

Union Territory Department.	Audit objections.	Paras of Inspection Report
(i) Ministry proper and attached and subordinate offices.	293	142
(ii) Delhi.	202	344
(iii) A. & N. Islands.	193	322
(iv) L. M. & A. Islands.	20	..
(v) Dadra & Nagar Haveli.	14	15
(vi) NEFA.	4,639	1,530
TOTAL	5,361	2,353

Out of 482 Audit objections relating to the Department of Labour and Employment, the Committee were informed in a note that 263 cases had been settled. The number of outstanding objections as on 10th August, 1966 was 199. The authorities concerned had been directed to settle these outstanding Inspection Reports speedily. The half-yearly statements received from the Accountants General were carefully scrutinised in the Ministry and the pending items were brought to the notice of the Departmental heads for speedy action. The progress of action would be reviewed personally by the Head of the Departments so as to ensure that the objections were settled by a specific target date.

5.20. As against 245 outstanding Inspection Reports comprising 462 items, the number of outstanding Inspection Reports and items remained to be settled was 76 and 230 respectively, according to a note furnished by the Department of Social Welfare.

5.21. No officer had so far been designated specially to deal with audit objections and Inspection Reports, but special instructions had been issued to the concerned officers to bestow their personal attention to this matter with a view to clearing these expeditiously.

5.22. So far as the Department of Transport and Shipping was concerned, out of 1,132 Audit objections, 1,091 only related to the Department of Transport and Shipping. Out of these 1,091 objections, 286 had since been settled. 484 outstanding objections were more than 3 years old.

5.23. Steps were also being taken to clear the remaining objections expeditiously. The Deputy Secretary incharge of the Coordination Section had been designated as Special Officer for the purpose of prompt settlement of Audit objections relating to the Transport and Shipping Department.

5.24. The Secretary, Department of Economic Affairs, Ministry of Finance stated that so far as the Department of Economic Affairs was concerned, all the objections had been cleared except one which would be disposed of within the next 15 days.

5.25. Referring to a large number of old, pending objections relating to the various Ministries, the Committee suggested that the Ministry of Finance should devise suitable measures in consultation with the C.&A.G. to expedite their disposal. The Secretary, Department of Expenditure agreed that the position in this regard was very disconcerting and that some further procedure had to be

devised to see that old audit objections were cleared. The witness added that certain measures had already been taken. First, the Ministries had been asked to depute senior officers for discussion with Audit. Secondly, they had agreed to the waiving by Audit objections below Rs. 500 so as to reduce the backlog. Thirdly, they had prepared a guard file for the benefit of the Ministries containing various instructions to be followed. The witness added that the two circulars issued by the C.&A.G. in this regard would also be helpful in the matter. In these circulars, the Accountants General had been asked to furnish particulars about the objections which had become very old. The witness expressed the hope that as standing arrangement that the Accountants General are furnishing particulars in respect of 6 months old audit objections, there would be some improvement in the position. He further stated that this matter would also be taken up at a meeting to be held early with the Associate Finance, to see what further steps could be taken in this regard. Asked if it would be possible to liquidate the pending objections raised prior to 1962 within a period of 6 months, the witness stated that they would try to do so but added that the matter really concerned the administrative Ministries and the Finance Ministry could only lay down some procedure.

5.26. The Committee would suggest that the Ministry of Finance in consultation with the C. & A.G. should devise a procedure which would not only help to clear the backlog of arrears pending with the different Ministries but will also expediate their timely disposal in future. They are, however, glad to note that the Ministry of Finance have taken initiative to tackle the situation and have taken certain measures in this connection. They would, however, like to point out that the position of arrears in regard to the Ministries referred to above is not very satisfactory and calls for immediate action for their disposal.

Appropriation Accounts (Civil), 1964-65.

DEPARTMENT OF CIVIL AVIATION

Grant No. 139—Capital Outlay on Civil Aviation—Page 132.

5.27. In the voted section nearly Rs. 82.44 lakhs out of the total savings of Rs. 1,48.42 lakhs remained unsurrendered at the end of the year.

5.28. The Committee enquired as to when was it known that there would be such a large saving in this grant. The Secretary, Department of Aviation pointed out that it was difficult to know

the savings beforehand and stated that when revised estimates were prepared, the actual booked expenditure was available only upto September, which was hardly a safe guide because the tempo of work increased only during the months of October to March. Explaining that the expenditure under the various Heads under the Department was reviewed every quarter, the witness stated that in December the total amount of booked expenditure was Rs. 146.23 lakhs and these figures were available only in March. Generally in the months of January, February & March the D.G.C.A. and the C.P.W.D. were able to spend anything from Rs. 150 lakhs to Rs. 200 lakhs. When pointed out by the Committee that this difficulty was common to all Ministries, the witness stated that the main difficulty, which they had also brought to the notice of the Ministry of W.H.S., was that the Department of Civil Aviation did not get up-to-date figure on which to base a reasonable estimate.

5.29. The witness added that as a result of review in October/November, Rs. 65 lakhs were surrendered. The saving of Rs. 82 lakhs resulted mostly under major works. The other savings under Establishment and Tools and Plant Charges were consequential to the original saving.

Giving the break-up of the saving of Rs. 65 lakhs the Additional Chief Engineer, C.P.W.D. stated that it comprised of the following:

- (i) The Bihar circle did not adjust Rs. 29.83 lakhs.
- (ii) The Punjab circle did not adjust Rs. 7.93 lakhs.
- (iii) The expenditure incurred, for which debits were not received from various agencies accounted for Rs. 29 and odd lakhs.

These were the expenses incurred but not adjusted.

5.30. During evidence the Committee were informed that it was difficult to know about savings beforehand because the tempo of work increased during the months of October-March and the Department of Civil Aviation did not get up-to-date figures of expenditure from the C.P.W.D. on which reasonable estimates could be prepared. The Committee feel that both the Department of Civil Aviation and Ministry of Works, Housing & Urban Development should consider the ways and means to get over this difficulty and evolve a procedure which would facilitate compilation of figures at a time which would facilitate surrender of anticipated savings well in advance.

5.31. They also feel that there should be a better co-ordination between the different circles of the C.P.W.D. and the Department of

Civil Aviation in the maintenance of accounts, as also regular review of progress of expenditure by the Ministry every month, especially during the closing months of the financial year.

MINISTRY OF FOOD & AGRICULTURE

(Department of Food)

Grant No. 41—Other revenue expenditure of the Ministry, Group head E.6 (2)—Expenditure on Subsidiary Food Scheme—Page 75.

	Total Grant	Actual Expenditure	Excess(+) Saving(—) (In lakhs of Rupees)
Original 53.04	32.40	31.45	—0.95
Reappropriation 20.64			

5.32. The saving of more than 40 per cent of the original provision was mainly due to (i) non-implementation of the Groundnut Flour Project (Rs. 12.00 lakhs); (ii) non-implementation of the Peanut butter plant and non-participation in exhibitions (Rs. 2.10 lakhs); (iii) less grants to Institutes of Catering Technology (Rs. 2.00 lakhs) and (iv) non-receipt of mobile vans (Rs. 2.50 lakhs).

5.33. The saving of more than 67 per cent of the original provision of Rs. 42.96 lakhs in 1963-64 was also attributed to the similar reasons.

5.34. The Committee were informed in evidence that owing to the difficulty in operating the two plants—one at Bombay and the other at Coimbatore, the amount which was earmarked for making payment to various parties could not be fully utilised. The difficulties were, however, solved and the plants had gone into operation. Pointed out by the Committee that the saving of over Rs. 29 lakhs for 1963-64 was also attributed to delay in fully implementing the various Subsidiary Food Schemes, the witness stated that main savings were under Peanut Butter Plant, Publicity and Propaganda, Institute of Catering Technology and Applied Nutrition and grant-in-aid for voluntary organisations. The Department had effected economy under the head 'Publicity and Propaganda' and as against a provision of Rs. 30 lakhs for the ICTAN, a sum of Rs. 27 lakhs was actually sanctioned to various institutes and the shortfall was mainly due to the fact that the unspent balances were adjusted against

amounts due to the Institute during 1964-65. Some of the grants-in-aid given to voluntary organisations had also been stopped.

5.35. The Committee do not feel convinced that the savings which had occurred under this head could not have been foreseen or that a more realistic assessment of the requirements was not possible. During 1963-64 the saving of more than 67 per cent of the original provision of Rs. 42.96 lakhs had occurred and the reasons attributed were the same as those for the savings that occurred in 1964-65. The Committee also feel unhappy over the consistent shortfall in the implementation of subsidiary Food Schemes especially in view of the present food situation in the country and would desire the Department to take timely and special steps for full implementation of the schemes at the earliest.

5.36. They hope that the Ministry would exercise greater care and make use of their past experience in drawing up their estimate more realistically in future.

MINISTRY OF HOME AFFAIRS

Grant No. 15—Tribal Areas—Page 53.

5.37. There was a net saving of Rs. 134.63 lakhs against the original provision of Rs. 361.65 lakhs under the head "B.1—Miscellaneous and unforeseen charges".

5.38. The Committee were informed in evidence that the saving of Rs. 134.63 lakhs out of the original provision of Rs. 361.65 lakhs under this head was mainly due to the cut in the requirements of funds for supply dropping equipment, purchase of new vehicles and less expenditure on relief and rehabilitation. When asked why were the requirements not assessed more realistically, the Secretary (U.T.) stated that the shortfall in supply dropping equipment was to the extent of Rs. 70 lakhs. It was due to various factors; first reduction in quantity from 22,000 tons to 15,300 tons, as due to difficult conditions in Assam there was less procurement of food stuff. Saving due to that shortfall was Rs. 43 lakhs. Secondly, there was reduction in the cost of supply-dropping equipment, which led to a saving of Rs. 20.81 lakhs. The witness, explaining the saving due to drop in the cost, stated that a parachute, which was purchased earlier for Rs. 120 now cost Rs. 80. The witness added that there was a shortfall of expenditure (a small amount) under the head rehabilitation and of Rs. 75 lakhs under communication flight. This was actually book adjustment with the Ministry of Defence.

5.39. When asked how was it that the price of a parachute had come down from Rs. 120 to Rs. 80, the witness stated that earlier parachutes were imported and now they were being manufactured in the country. Moreover, there was a competition which had gone in the favour of Government. Purchase of parachutes from the private suppliers, for the purposes of supply-dropping was started from the year 1963. Prior to that army was supplying the parachutes at the rate of Rs. 140 each.

5.40. The Committee desired to be furnished with the following information:

- (i) When were parachutes started to be used for supply dropping?
- (ii) How were the requirements for parachutes met?
- (iii) The number of parachutes purchased each year and the price paid.
- (iv) Reasons for changing suppliers; and
- (v) Method followed in selecting the suppliers—whether tenders were called for and if so, the number of tenders received and the level at which tender was accepted.

5.41. From the note furnished by the Ministry, the Committee find that the civil requirements of parachutes started from the year 1957-58 and from 1962-63 the requirements were met from the open market because the Army, who were the suppliers till 1961-62, had switched over to the manufacture of a parachute of a particular measure which was un-economical for the Administration and the price of imported parachutes offered by the Army was not acceptable to them.

5.42. The Committee find that since 1962-63 when the open market purchase of parachutes was resorted to, the price for the same tended to fall year after year viz. from Rs. 134.56 in 1962-63 to Rs. 78.38 in 1964-65. From these figures the Committee are inclined to infer that there was enough local potential for the production of parachutes in the country and if the market had been correctly tested prior to 1962-63 perhaps the Government could have saved a lot instead of depending on the supplies made by the Army authorities which were costlier. That the price of parachutes in the local market was falling due to competition was known to the Administration, because in 1962-63 itself the prices had fallen from Rs. 134.50 to Rs. 114.50 and during 1963-64 it had further fallen to

Rs. 102·00. In the opinion of the Committees the prices and requirements of supply dropping equipment were not assessed realistically.

5.43. The Committee feel that the trend of falling prices was not taken due note of while preparing the budget as is evident from the fact that the saving in expenditure due to reduction in the cost of supply dropping equipment came to Rs. 20.81 lakhs.

Grant No. 49—Police—Pages 86-87.

5.44. There was a saving of Rs. 197·66 lakhs (more than 50 per cent of the original provision of Rs. 371·40 lakhs) under the group head "D.3(5)—Indo-Tibetan Border Police Force". This was attributed to vacancies, non-materialisation of purchase of stores and equipment and non-receipt of supply of uniforms and clothing. During 1963-64 also, 68 per cent of the original provision remained unutilised for similar reasons.

5.45. Asked to indicate the circumstances under which no part of the saving of Rs 65·03 lakhs under the grant as a whole could be anticipated and surrendered before the end of the year, the Home Secretary stated that it was mainly due to certain matters which did not turn out according to expectations. Rs. 44 lakhs had been provided for purchase of snow clothing and equipment, but the ordnance depots were able to supply clothing and equipment worth only a lakh of rupees. The witness added that the expenditure of Rs. 43 lakhs provided for huts could not be utilised as the sanction from the Ministry of Finance was received late. The witness further informed the Committee that the Finance Ministry also reduced the sanction from 43 lakhs to Rs. 20·8 lakhs. There was also another item—wireless equipment, for which foreign exchange was required and that could be had only at the end of the year.

5.46. The Committee desired that a note stating the circumstances in which no part of the saving of Rs. 65·03 lakhs could be anticipated and surrendered before the end of the year, be furnished to them.

5.47. From a note furnished by the Ministry, the Committee find that the saving of Rs. 65·03 lakhs comprised of (i) item, D-I—charges paid to other Governments Departments Rs. 46·47 lakhs and (ii) item, D-3(5)—Indo-Tibetan Border Police which accounted for Rs. 16·69 lakhs. When the budget position of the grant as a whole was finally reviewed in March, 1965, no saving could be anticipated by the Ministry. The reasons for this were that there had been

various lapses at the level of the expending offices on account of non-acceptance of debits, non-adjustment of reimbursements sanctioned during 1964-65, and raising of less debits. The fact that savings had occurred came to the notice of the Ministry long after the close of the financial year 1964-65 and hence the amount could not be surrendered before the end of the financial year.

5.48. The Committee are unhappy to find that the expending offices had failed to intimate to the Ministry in time about the probable savings as a result of which the amounts could not be surrendered by the Ministry during 1964-65. The Committee hope that the Ministry would look into the matter and find out to what extent the time taken by the expending offices was justified. The Ministry should further take immediate steps to issue instructions to all the expending offices to observe the rules strictly so that such irregularities may not occur in future.

PLANNING COMMISSION

Grant No. 32, pages 20-21—Planning Commission.

5.49. Referring to the increase of expenditure on the Planning Commission from Rs. 78.56 lakhs in 1960-61 to Rs. 109.75 lakhs in 1964-65, the Committee asked whether the Ministry of Finance had analysed the reasons for this increase. The Secretary Expenditure stated that the specific proposals of the Planning Commission were subjected to the usual scrutiny in the Ministry of Finance. Asked whether the different divisions of the Commission had been examined by the Staff Inspection Unit of the Finance Ministry to see whether any economy was possible in the staffing pattern specially after finalisation of each Plan, the witness stated that only the Administrative wings had been examined recently; the technical divisions had not been subjected to any STU scrutiny.

5.50. Explaining the reasons for the increase of about Rs. 31 lakhs in expenditure during the period in question, the Secretary Planning Commission stated that a little over half of this was due to increase in Dearness Allowance, increments etc. and the remaining half was due to increase in activities. In reply to a question, the witness stated that the total strength of the Commission was 306 Gazetted Officers and 757 Non-Gazetted Officers (including class IV) as on 1st April, 1965. The comparative figures of Gazetted strength (classes I and II) as on 1st April, of the years 1960 to 1966 was stated by the witness as 229 in 1960, 228 in 1961, 277 in 1963,

281 in 1964, 306 in 1965 and 294 (actual strength) in 1966. The present gazetted strength was stated to be 303. Asked about the reasons for the increase from 228 in 1961 to 277 in 1963, the witness stated that the Commission had undertaken some new functions and set up new divisions viz. Resources and Scientific Research, Joint Technical Group on Transport Planning, Rural Industries Planning Committee and Study Team on Prohibition. In reply to another question, the witness stated that the expenditure had increased to Rs. 146,57,343 in 1965-66. An important reason for the increase was stated as an accounting change made in the budget for 1965-66. Certain provisions like public cooperation which were previously shown under the demands of the Ministry of Finance were included in the demand of the Planning Commission.

5.51. Asked if any attempt had been made to effect economy in the Commission, the witness stated that they were constantly considering the question of economy as also how the planning work could be more efficient and effective. The witness added that they were increasingly working towards an organisation which would be more officer-oriented. Although the total number of persons might not increase, there would be more officers and less non-gazetted staff. The witness opined that in this way they were improving the working of the Commission. The witness added that when more functions were undertaken, the staff had to be augmented and the expenditure would increase.

5.52. Referring to the functions of the Commission, the witness stated that apart from planning proper, they had to keep themselves in touch with different Ministries dealing with economic matters and also advise them. This in effect means keeping of some staff for that purpose. The Commission was also required to do appraisal of the progress achieved from time to time, which was entrusted to the Programme Evaluation Directorate. An other division viz. Prospective Planning Division prepared forecasts for 15 to 20 years, constantly keeping in touch with the progress of the Plan.

5.53. The Committee desired to be furnished with a note (a) giving reasons for steady increase of expenditure from Rs. 78.56 lakhs in 1960-61 to Rs. 109.75 lakhs in 1964-65 and Rs. 146.57 lakhs in 1965-66, (b) break up of expenditure of Rs. 146.57 lakhs into— (i) expenditure on formulation of plans, (ii) expenditure on implementation; and (iii) expenditure on other activities like programme evaluation. The information has been furnished to the Committee.

The Planning Commission have explained the increase of Rs. 31.20 lakhs in expenditure during the period 1960-61 to 1964-65 due to the

following factors:—

Item	Amount (In Rs. lakhs)	Remarks
A. Obligatory increases on account of increase in Dearness Allowance & other allowances and annual increments	17.01	54.5% of the total increase
B. Expansion of the main Planning Commission and new activities	4.24	13.6% ibid.
C. Increase in T. A. and other charges	2.97	9.5% ibid.
D. R.P.C. and P.E.O.	6.58	22.4% ibid.
TOTAL	31.20	

5.54. The Committee feel concerned over the steady increase in expenditure on the Planning Commission. The Committee desire that the Staff Inspection Unit of the Finance Ministry should examine both the Administrative and Technical Wings of the Commission to find out (i) whether any economy is possible in the staffing pattern especially after the finalisation of each Plan (ii) whether there is any duplication in the work done in the Commission and the Administrative Ministries and (iii) how far the scheme on officer oriented set up has added to the efficiency and resulted in economy.

5.55. The Committee asked about the reasons for not preparing the Fourth Plan before its implementation started. The Secretary of the Commission stated that they were ready to prepare the plan in September, 1965 but between September and December, 1965 there were abnormal situations having impact on the country's economy viz., drought, Indo-Pakistan conflict and difficulty in obtaining foreign aid. They could not prepare a plan under these conditions. In the month of May, 1966 they were ready to go ahead with the preparation of the plan, but there was a change in the value of the rupee which again created difficulties and necessitated recalculation of resources and outlays in terms of the new rate of exchange and a further review of the position. The witness added that another difficulty was that they had prepared the draft outline in September, 1966, but Parliament had no time to discuss it. Now, while they

were preparing the final document, they had not got the advice of Parliament on the draft outline. The Commission had received some valuable advice from the Parliamentary Committees. The witness expressed the hope that the work would be completed by next month (January, 1967) when it was pointed that the difficulties regarding drought and foreign aid still existed, the witness replied that they had now some experience of these difficulties for one year and on that basis it was easier to make assumptions.

5.56. The Committee enquired about the action taken pursuant to the statement made by the Prime Minister that alternatives had to be considered if the foreign aid was not available to the extent expected. The Secretary, Planning Commission stated that they were now putting a major emphasis on the annual planning. While the assumption with regard to the foreign aid was being included in the whole plan, the actual availability of foreign assistance would be taken into account when preparing the annual plan. The annual plan for 1967-68 was at present under discussion with the various Ministries and the State Governments and was expected to be completed by January, 1967.

5.57. While the Committee appreciate the difficulties in formulating the Fourth Plan, they cannot help observing that the delay in the finalisation of the Plan has been too much and cannot be justified.

5.58. Referring to the schemes of public co-operation, undertaken by the Commission, the witness stated that these schemes sought to enlist the support of the common man for implementing the various aspects of the plan in rural and urban areas through Lok Karya Kshetras. The programme had been evaluated by the Programme evaluation Organisation and their report was under completion. Asked about the difference between schemes of public cooperation and of the Community Development, the witness stated that the Community Development Cooperation was a State Organisation, whereas Public Cooperation Schemes were implemented through Voluntary Organisations. These Voluntary Organisations of non-officials were set up in different areas to which the assistance was given by way of grants by the Planning Commission or by the State Governments under the Public Cooperation Scheme. Asked whether there was any duplication in the efforts of the Community Development Organisation and the Lok Karya Kshetras, the representative of the Commission stated that the Lok Karya Kshetras Staff Worked in cooperation with the Community Development Block staff and Panchayati Raj Organisations in the development

programme. The witness however assured the Committee that they would certainly take measures to avoid duplication.

5.59. The Committee would like to be informed in due course of the result of the evaluation of the schemes of public cooperation undertaken by the Programme Evaluation Organisation.

5.60. In view of the fact that the Lok Karya Kshetras worked in cooperation with the Community Development Blocks and Panchayat Raj Organisations, the Committee suggest that the feasibility of transferring the work in connection with the schemes of public cooperation to the Ministry of Food, Agriculture, Community Development and Cooperation may be considered. This would help to achieve better coordination in the implementation of the various schemes of development and avoid any duplication of effort.

MINISTRY OF FINANCE

Grant No. 117, page 31—Capital Outlay on Currency and Coinage.

5.61. A saving of Rs. 24.43 lakhs was mainly due to less expenditure on plant and machinery and slow progress of work relating to Security Paper Mills, Hoshangabad. During 1963-64, also there was a saving of Rs. 88 lakhs under this head due to slow progress of work.

5.62. Asked when the paper mill was expected to be completed, the representative of the Department of Economic Affairs stated that the first two paper making machines were expected to start their trial runs in March, 1967 and the remaining two machines in June, 1967. The total estimated expenditure for the project was stated as over Rs. 11 crores now and including foreign exchange of Rs. 5 crores at the current rate.

5.63. Asked when the Paper Mills was originally, scheduled to go into production, the witness stated that at the time of signing the contract with the foreign technical collaborators in the middle of 1962, they had envisaged a period of 2½ years for commissioning i.e. by about beginning of 1965 or a little earlier than that. One of the various reasons for the delay had been the difficulty in getting civil works contractors to do the job in a place like Hoshangabad. Asked for the reasons for selecting Hoshangabad for installing the Mills, the witness stated that the main reason was the availability of plenty of water.

5.64. The Committee desired to be furnished with a note stating the date of commissioning of the Security Paper Mills according to the original programme, the present position and the reasons for delay in commissioning.

5.65. The note furnished by the Ministry of Finance is at Appendix XXII.

5.66. The Committee are sorry to note that the Security Paper Mills, Hoshangabad which was scheduled to be commissioned in the middle of 1965 has not yet been completed. The case indicates lack of proper planning which is regrettable.

5.67. The Committee hope that the revised schedule of commissioning the Mill according to which two of the four machines are expected to commence trial runs by March-April, 1967 and the other two machines by about June/July, 1967 will be adhered to.

NEW DELHI;

28th January, 1967.

Magha 8, 1888. (Saka).

R. R. MORARKA,

Chairman,

Public Accounts Committee.

Statement showing the estimated repayment of principal and payment of interest of in respect of foreign loans on Government account during Fourth and Fifth Year Plans. (i.e. 1966-67 to 1975-76).

(Rs. crores post-devaluation rates of conversion.)

Period	Loans repayment in foreign currency		Loans repayable through export of goods		Loans repayable in rupees		Total				
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest			
Fourth Five Year Plan											
1966-67	83.26	26.46	10.87	19.45	35.31	144.68	129.44
1967-68	85.54	37.74	11.08	22.00	39.24	161.25	135.86
1968-69	84.09	48.21	10.95	23.78	43.34	189.28	138.38
1969-70	79.83	44.86	10.27	24.98	46.86	194.52	136.96
1970-71	73.94	44.86	9.15	26.31	50.90	194.72	133.99
TOTAL	406.66	202.13	52.32	116.52	215.65	884.45	674.63
Fifth Five Year Plan											
1971-72	73.57	44.65	8.09	26.56	34.81	202.40	116.47
1972-73	67.94	42.49	6.38	27.09	33.75	198.42	108.07
1973-74	61.23	42.22	5.34	28.98	32.84	200.36	99.41
1974-75	55.69	42.23	4.28	27.74	31.61	197.50	91.58
1975-76	52.04	35.64	3.24	27.94	30.55	206.35	85.83
TOTAL	310.47	207.23	27.33	138.31	163.56	1005.03	501.36

APPENDIX No. I

[Reference Para No. 1.24 of the Report]

MINISTRY OF FINANCE

Statement showing the Total Amount of Loans Received (i.e. Outstanding Foreign Debt Liability) by the Government of India as on the 30th November, 1966.

(Rupees Crores)

	At pre-de- valuation rates of conversion	At post-de- valuation rates of conversion
1 Loans repayable in foreign currency	1814.68	2858.13
2 Loans repayable through export of goods	278.10	438.01
3 Loans repayable in rupees	737.84	962.80
TOTAL	2830.62	4258.94

APPENDIX No. II

[Reference para No. 1.30 of the Report]

MINISTRY OF FINANCE

Amount of foreign exchange lost as a result of the tourists being allowed to utilise PL 480 funds during the last three years.

The provision regarding the sale of rupees for dollars by the US Embassy to the American tourists was made for the first time in the PL 480 Agreement signed in September, 1964. Since then, and till September 30, 1966, the total amount of rupees sold by the US Government to US tourists is Rs. 2.28 lakhs.

Sd/- A. T. BAMBAWALA
Joint Secretary.

APPENDIX No. III

[Reference Para No. 1.39 of the Report]

No. F. 7(8)-W&M/66

MINISTRY OF FINANCE

DEPARTMENT OF ECONOMIC AFFAIRS

Dated: 29th December, 1966.

Rates of interest on loans advanced to public sector undertakings/institutions—paragraph 16 of the Audit Report (Civil), 1966.

During the course of the examination of the representatives of the Ministry of Finance on the 17th December, 1966, the Public Accounts Committee desired that a note should be furnished to them indicating the circumstances in which different rates of interest had been charged on loans to the various public sector institutions mentioned in Appendix III of the Audit Report, 1966.

2. Prior to June, 1961 loans advanced by the Central Government carried interest rates based on its own borrowing rates, after taking into account debt management incidental and other charges, etc. The rates, so worked out, were applied to loans to State Governments, Statutory Corporations/Bodies (like the Industrial Finance Corporation, Shipping Development Fund Committee, etc.) and Port Trusts. These, however, were generally stepped up by $\frac{1}{2}$ per cent and applied to other categories of borrowers, including the various public sector undertakings/institutions.

3. The policy in regard to the terms of loans to industrial undertakings in the public sector was reviewed in 1961 and it was decided that the rates of interest on loans advanced to these undertakings, should, by and large, be comparable with the interest rates on which first class companies in the private sector obtained their loan requirements. The interest rates so fixed varied from 5 to 6 per cent.* for loans ranging from 2 to 15 years and meant a marked increase

Period of the loan	Rate of interest per cent per annum	
2 to 4 years	5	The rates have since been increased to 6, 6½, and 7% from 1-5-1965
5 to 9 years	5½	
10 to 15 years	6	

over those obtaining earlier. For example, the interest rate on a 10 year loan which was 4½ per cent. prior to June, 1961 was 6 per cent. on and after 1st June, 1961.

4. The higher interest rates were not extended to loans to financial institutions (like the Industrial Finance Corporation, Industrial Credit & Investment Corporation of India, Shipping Development Fund Committee, Films Finance Corporation, National Industrial Development Corporation, National Cooperative Development Corporation, National Small Industries Corporation, Rehabilitation Industries Corporation, etc.) as these were lending bodies and had to be provided with finance at reasonable rates of interest. In these cases the interest rates varied, depending on the period of the loan, and the rates applicable to them time to time are given in the Annexure.

5. Loans to public sector undertakings/institutions, thus, carry varying rates of interest for the following three reasons:—

- (i) Loans to industrial undertakings carry a higher rate of interest than loans to other undertakings (financial institutions etc.) This arrangement has since been extended to commercial undertakings also. S. Nos. 1 to 6, 9 to 14, 18, 20—24, 25 to 35, 37-38 and 40 to 42 in Appendix III of the Audit Report are instances of the former type i.e. undertakings to which the higher rates are applied. The other cases in the same Appendix are either financial institutions or other undertakings to which the ordinary rates were applied except S. No. 7, which is in a special category for reasons explained below:—

Interest on loans to the Refinance Corporation for Industry (S. No. 7)—since taken over by the Industrial Development Bank of India from 1st September 1964—is fixed each year by the President of India on the advice of the Governor, Reserve Bank so that the total interest paid upto date does not exceed 4 per cent. simple interest.

- (ii) Interest rates depend upon the period for which the loans are advanced and thus loans to the same institution may carry different rates of interest according as the loan is a short-term, a medium term or a long-term loan.
- (iii) Interest rates have moved upwards as a result of periodical reviews. Thus interest rates may vary when loans are

given at different points of time even to the same undertaking for the same period.

6. Some of the interest rates mentioned in Appendix III e.g. those exceeding 6 per cent (which was the highest rate during the period covered by the Audit Report) represent the penal rate which is attracted only in the event of default on the part of borrowers in the repayment of principal and/or payment of interest on the loans.

7. A few inaccuracies in the interest rates given in Appendix III have also been noticed. These are indicated below:—

S. No. in Appendix III	Undertaking	Discrepancies as reported by the sanctioning Ministries
3	Singareni Collieries Company Limited	Loans have been sanctioned at 6% and <i>not</i> at 4½ to 6%.
9	Hindustan Machine Tools	The effective rate of interest on loans drawn during 1963-64 and 1964-65 was 6%. The rate mentioned in the Audit Report is the penal rate.
17	Industrial Finance Corporation	During the years 1963-64 and 1964-65 the loans sanctioned carried interest at 5% and <i>not</i> at 4½% to 5%.
22	Air India	No loan was advanced to Air India during 1962-63. However, capital amounting to Rs. 1,61,38,706 was sanctioned to the Corporation in 1962-63, of which 50% was treated as equity capital and the other half as debenture capital. The Air India were not expected to pay any interest on the debenture capital upto 30-9-66. However, in view of profits, the Corporation paid interest at 4½%.
25	National Small Industries Corporation	The loans were sanctioned at 4½% to 5½% during 1962-63 and 1963-64 and <i>not</i> at 4½%—5%
28	Mysore Iron & Steel Limited	The loans carried interest at 6% per annum and <i>not</i> at 4½% to 5½%.
42	Central Warehousing Corporation.	The loans sanctioned carried interest at 5½% and <i>not</i> at 5½% to 6½%.

(A. R. SHIRALI)

Joint Secretary to the Government of India.

ANNEXURE

Interest rates on Loans to Public Sector Undertakings/Institutions other Than Industrial Undertakings

	Period of the loan	Rate of interest percent per annum	
		Statutory Corpora- tions/ Bodies	Other Under- takings
<hr/>			
	Years		
(a) Loans sanctioned prior to 20-12-1962	2	3½	3½
	3	3½	3½
	4	3½	4
	5	3½	4½
	6	3½	4½
	7 to 8	3½	4½
	9 to 10	4	4½
	11 to 14	4½	4½
	15 to 19	4½	4½
	20 years and above	4½	5
(b) Loans sanctioned from 20-12-1962 to 30-9-1964	2 to 4	3½	4
	5 to 9	4	4½
	10 to 12	4½	5
	13 to 15	5	5½
(c) Loans sanctioned from 1-10-1964 to 30-4-1965	2 to 4	4	4½
	5 to 9	4½	5
	10 to 15	5	5½
(d) Loans sanctioned from 1-5-1965 onwards	2 to 4	4½	5
	5 to 9	5	5½
	10 to 15	5½	6

APPENDIX No. IV

[Reference Para No. 2.7 & 2.51 of the Report]

MINISTRY OF HEALTH & FAMILY PLANNING

(DEPTT. OF FAMILY PLANNING)

GRANTS TO BHARAT SEWAK SAMAJ FOR FAMILY PLANNING ORIENTATION CAMPS.

I. (i). During 1962-63 and 1963-64 grants aggregating to Rs. 4.54 lakhs were paid by the Ministry of Health to the Bharat Sewak Samaj for organizing 744 family planning orientation camps of 3/6 days' duration each to teach methods of family planning to villagers. The grants were released on the basis of a ceiling of Rs. 600 for a camp of 3 days' duration (Rs. 10 per participant). No condition was prescribed by the Ministry with regard to the supervisory charges to be claimed by the Samaj for organizing the camp or the expenditure on food to be incurred at the camps. During the two years the Samaj could organise only 688 camps, on which an expenditure of Rs. 3.90 lakhs was incurred.

In June, 1964, the Ministry decided that in respect of the camps organized during 1963-64, the supervisory charges of the Headquarters office of the Samaj and the Regional Camp Committees should be restricted to 5-7 percent of the gross expenditure and that expenditure on meals at the camps should be allowed only for persons coming to the site of the camps from far off places and not to the local residents. However, the accounts submitted by the Samaj indicate that the supervisory charges actually claimed amounted to 22 per cent of the total expenditure incurred on the camps, resulting in an over-payment of Rs. 42,901.

(ii) Meals at the camps were also served to the local residents resulting in irregular expenditure amounting to Rs. 12,190 in 125 camps alone. As the supervisory charges and the expenditure on meals had been incurred by the Samaj before the issue of the Ministry's instructions in June, 1964, the excess expenditure had to be approved by the Government.

II. Under the conditions of the grant, the Samaj was required to submit an audited statement of accounts, supported by a Utilization Certificate in a prescribed form to Government. The Camps Accounts

for 1962-63 and 1963-64 were, however, not audited by a qualified auditor. Only a consolidation was done at Headquarters by a qualified auditor of the statements of account sent by the Regional Camp authorities.

The Ministry have stated (December, 1965) that a procedure for having the accounts of a group of camps audited every year in rotation by Chartered Accountant is under consideration.

III. According to the form prescribed by Government the Utilisation Certificates were required to be countersigned by the Health Officer or the Family Planning Officer of the respective States in which the camps were actually held. The Samaj, however, got the Utilisation Certificates countersigned by the Medical Health Officer, Delhi Municipal Corporation, who was hardly in a position to certify their correctness.

DETAILED NOTE.

A Scheme for the holding of orientation camps was approved by the Government of India in 1961 to educate the people to accept the idea of family planning.

The Adviser, Health & Sanitation, Bharat Sewak Samaj, in his letter No. 30 FP dated 1st March, 1962 (Annexure A) suggested that the B. S. S. may be permitted to take up the work of organising Orientation Camps under the Family Planning programme. He enclosed a D.O. from Shri J. L. Hathi, Vice-Chairman, Central Bharat Sewak Samaj addressed to the Health Minister. (Shri D. P. Karmarkar).

It was decided that ad-hoc grant on approved pattern may be sanctioned if the Bharat Sewak Samaj accepted the conditions detailed in the letter addressed by the Minister of Health to Shri Hathi, Vice-Chairman, B. S. S. (Appendix V). According to the approved pattern for building Family Planning Orientation Camps a ceiling of Rs. 10 per participant has been prescribed. [Copy of the Government orders approving the pattern is attached (Annexure C)].

It may be stated that no condition regarding expenditure on supervisory charges and serving of meals to the local campers was laid down while sanctioning grant to the B.S.S. The scheme was in its initial stages during the years to which the observations made in the audit report pertain.

Details of the grants sanctioned to the Bharat Sewak Samaj during 1962-63 and 1963-64 are shown in the statement attached.

(Annexure B). Out of the total No. of camps proposed to be held, the grant for 717 camps was estimated on the basis of a ceiling expenditure of Rs. 600 per camp of three days duration @ Rs. 10 per participant. No condition was prescribed limiting the supervisory charges to be claimed by the Samaj for organising the camps and the expenditure on food to be incurred at the camp. In the accounts submitted by them, the B.S.S. gave the following break up of actual expenditure of Rs. 600.

(1) Expenses on meals, hiring of accommodation, transport charges per participant, sanitary installations, hiring of furniture, lighting arrangements and propaganda materials, etc. Rs. 475.

(2) Ad hoc expenditure non-recurring or recurring in the Central Bharat Sewak Samaj on staff engaged for organisation, inspection, audit, service charges, stationery and postage. Rs. 55-0.

(3) Ad hoc expenditure of Regional Health Committees for holding supervision and expenditure of the Regional Health organiser (Organizer cum a Accountant.)

Rs. 70—0

600—0

On checking the accounts for 1962-63 which were received in parts from June, 1963 to February, 1964, it was observed that the Samaj had incurred about 22 per cent of the gross expenditure on supervisory charges which was considered to be on the high side. The matter was considered by the Government and it was decided, in consultation with the Ministry of Finance that the supervisory charges should not exceed 5 to 7 per cent and that meals should not be served to local residents. The formal orders to this effect were issued in June, 1964. The expenditure on account of supervisory charges and expenditure on serving meals to the local residents was incurred by the Samaj before the issue of the Ministry's instructions in June, 1964. Thus the point to which reference has been made in the audit report attracted Government's attention only when the accounts of the grants sanctioned to Bharat Sewak Samaj during 1962-63 and 1963-64 were submitted. Suitable corrective action was taken as soon as matter came to notice.

II. The accounts of the individual camps are prepared by the camp coordinators cum Accountants of the Camps concerned. In view of the small expenditure involved (about Rs. 600) the coordinators got the accounts audited by the B.D.Os and other Gazetted Officers.

Public Accounts Committee in their Eighth Report (1962-63) has subsequently accepted the view while dealing with the grants relating to Labour and Social Welfare Camps' under the Ministry of Education, that the appointment of Chartered Accountants for auditing the accounts of each camp would not be commensurate with the expenditure involved because of the simple nature of the accounts small amount expended on each camp and country wide scattered location of camps in out of the way rural areas. The Committee suggested that it would be useful to have the accounts of a group of camps audited by rotation every year by Chartered Accountants. The same remarks would hold good in the case of orientation Camps also and the Committee's suggestion is under consideration of this Ministry. However, from the year 1964-65 the Samaj has been getting the individual camps' accounts audited by the Chartered Accountant, to meet the objection of audit.

III. The grants were given to Central office of B.S.S. at Delhi which allotted the requisite amounts to their units throughout the country. The accounts were received in the central office of the Samaj at Delhi. The same were audited by a Chartered Accountant and were countersigned by Delhi Municipal Health Officer Municipal Corporation, Delhi, after checking the accounts, reports and statements audited by the Chartered Accountant. The Utilisation certificates are countersigned by the State Family Planning Officer with reference to the records relating to the accounts of the expenditure and not on the basis of any personal supervision of the conduct of the camps by the voluntary agencies. The countersignature of the Utilization Certificates by the Medical Officer of Health, Municipal Corporation of Delhi after duly satisfying himself with the records produced before him, therefore, fulfilled the requirements of the conditions on which the grant was sanctioned.

However, from 1964-65 onwards, the Utilization certificates are received from the respective State Family Planning Officers.

The grants for Family Planning Orientation Camps were also given to other institutions of all India character, Honorary Education Leaders, Local Bodies and organisations of State level. A statement showing the institutions to which the F.P. Orientation work was entrusted in addition to B.S.S. and the amount of grants sanctioned to each institutions from 1961 to 1965 is attached. (Annexure D).

The Public Accounts Committee in their 34th Report (Third LOK SABHA) Para 32 suggested the immediate submission of consolidated

duly audited accounts of the Samaj and no further grant should be released till the provisions of Rule 149 (3) of the General Financial Rules are fully complied with. The observations of the P.A.C. were duly considered by the Planning Commission in consultation with the Ministry of Finance. In compliance with the recommendation of P.A.C. the B.S.S. was asked to furnish the Consolidated accounts for the year 1962-63, 1963-64 and 1964-65 by 31st May, 1966. The B.S.S. has since furnished the consolidated accounts to the Planning Commission. In order that the programme of the B.S.S. did not come to a stop, the Planning Commission in consultation with the Finance Ministry has agreed to release the grants to B.S.S. upto 30th June, 1966 and no further grant is to be released till the report of the audit to whom the accounts have been sent is received. No grant has been released to B.S.S. during the year 1966-67 by the Department of Family Planning, pending receipt of clearance from the audit.

ANNEXURE A

BHARAT SEVAK SAMAJ

Central Office (Work Camp Section)
9-A, Theatre Communication Bldg.
Connaught Circus,
NEW DELHI-1.

JAWAHARLAL NEHRU

No. 30-F.P.

1st March, 1962.

Dear Shri Karmarkarji,

You may remember that off & on I have been discussing with your goodself regarding Bharat Sevak Samaj taking up the Family Planning work and it is in that context that I am enclosing D.O. from Shri J. L. Hathi Ji Vice Chairman, Central Bharat Sevak Samaj, regarding B.S.S. taking up Family Planning work.

The plan has been discussed with Dr. S. Seshagiri Rau Chairman Health Division of the Planning Commission.

Thanking you for an early and favourable consideration.

Yours sincerely,

Sd/- D. R. MEHTA,

Adviser, Health & Sanitation.

Shri D. P. Karmakar,
Minister for Health,
Government of India,
NEW DELHI.

Enclosure to Annexure A

BHARAT SEVAK SAMAJ

Central Office (Work Camp Section)
9-A, Theatre Communication Bldg.
Connaught Circus,
NEW DELHI-1.

President:

JAWAHARLAL NEHRU

No. 30—

28th February, 1962.

SUBJECT:—Family Planning Clinic and Seminar.

My Dear Shri Karmarkarji,

I understand that Director of Family Planning in order to create climate and back-ground of acceptance of Family Planning has

planned a large number of 3 days Seminars of 40—50 persons (Panchayat Member teachers etc.) for which a grant of Rs. 10/- per camper is given to cover the expenditure on food-lodging, travelling etc.

The Voluntary Organisations are allotted these camps but their requests have to be routed through the State Medical Officers.

Bharat Sevak Samaj is holding 12 to 15 hundred Labour and Social Service Camps throughout India, including hundreds of Training camps and Seminars for men and women teachers and Social Workers on behalf of the Union Ministry of Education for which the Ministry has been given block grant to the Central Bharat Sevak of 10 to 18 lakhs annually since 1955.

Bharat Sevak Samaj is assured of and gets public cooperation and active participation of the people and gets the coordination and cooperation of local Officials specially the Block Development Panchayat, local medical and public health officers.

The Bharat Sevak Samaj on account of its long and extensive experience in holding camps and Seminars and its intimate contact with the people through its branches and large numbers of Social Welfare Workers spread throughout India will be able I am sure with the guidance, help and active participation of medical and public health workers who will be associated with the Seminars will be able to hold large number of Seminars efficiently and help in making the scheme a great success.

No separate organisational expenses will be asked for from the Government but will be met from the grant of Rs. 10/- per camper as in the case of the grant from the Ministry of Education for camps and Planning Commission for Lok Karya Kshetras.

It is requested two to three thousand Seminars per year may be allotted to the Central Bharat Sevak Samaj per year.

It may be stated that Bharat Sevak Samaj has already been recommended to be placed in Category 'A' along with Indian Red Cross, Indian Medical Association etc. who can receive grants according to approved regular pattern (vide Report of the Family Planning Third Five Year Plan Committee 1960 Ministry of Health Government of India page 52 para 4.48).

Finally it may be added that Bharat Sevak Samaj, will fulfil all the conditions regarding sending of reports, talks, discussions and accounts etc.—of the Seminars and Clinics.

Dr. D. R. Mehta, M.B., B.S., D.P.H. (Cantab) etc., an experienced retired Public Health Officer, with special experience and training in Family Planning and Adviser, Health & Sanitation, Bharat Sevak Samaj, will be incharge of the scheme.

Thanking you.

Yours sincerely,

Sd./- J. L. HATHI,

Vice-Chairman, Bharat Sevak Samaj.

**Shri D. P. Karmakar,
Minister of Health,
Government of India,
NEW DELHI.**

ANNEXURE B

Statement showing details of grants sanctioned to Bharat Sevak Sangaj in 1962-63 and 1963-64 for holding orientation camps under the Family Planning Programme

Sanction No. and date	Amount sanctioned	Number of camps sanctioned	Expenditure incurred	Camps held	Saving	Year of adjustment
1962-63						
1. No. 26-17/62-FP. dt. 11-9-62.	1,20,000	200 camps	@Rs. 600	182	19,811.17	1963-64
1963-64						
2. No. (i) 26-9/63-FP. I. dt. 27-9-63	2,40,000	400 "	} 2,65,150.71	485		
(ii) 26-9/63-FP. I dt. 7-3-64	70,200	117 "				
3. No. 26-9/63-FP. I. dt. 17-3-64.	15,000	25 (6 days duration)	12,177.88	21		
4. No. 26-9/63-FP. I. dt. 17-3-64. (For all India or ganisation Seminar held at Delhi)	8,900	1 9 days duration	7,856.65	1		
5. No. 26-17/62-FP. I. dt. 6-6-63. (For all India F.P. Organisa- tion camps held at Delhi. No grant sanctioned. Expendi- ture to be met out of the sav- ing of other camps. Estimati- ed expenditure approved by the Ministry. 5375 . . .					44,376.25	1964-65
	4,54,100	744	4,538.51	1		
			3,89,912.58	690		

ANNEXURE C
No. F. 1-35/61-HII (FP)
GOVERNMENT OF INDIA
MINISTRY OF HEALTH

New Delhi-2, dt. the 20th May' 61.

From

Shri Amar Nath Varma,
Under Secretary to the Govt. of India

To

1. All State Governments.
2. All Honorary Family Planning Education Leaders.
3. Voluntary Organisations.

SUBJECT:—*Action on the minutes of the 10th meeting of the Central Family Planning Board held at Hyderabad on the 29th and 30th January, 1961.*

Sir,

I am directed to say that the Chairman, Central Family Planning Board suggested in his inaugural speech at the 10th meeting of the Central Family Planning Board held at Hyderabad on the 29th and 30th January, 1961 that special attention should be given to orientation camps.

2. The question of ceiling of expenditure approved for conducting one family planning orientation camp has been considered and it has since been decided to offer Rs. 10/- per person for 3 days' orientation camp, i.e., a grant of Rs. 400/- for an orientation camp attended by 40 persons and Rs. 600/- for an orientation camp of 3 days' duration if it is attended by 60 persons.

3. I am to request that proposals for holding as many family planning orientation camps as possible may be forwarded for consideration in the Directorate General of Health Services.

Yours faithfully,

Sd/- **AMARNATH VARMA,**
Under Secretary.

No. F. 1-35/61-HII (FP)

Copy forwarded for information to Dte.

G.H.S.

Sd/ **S. D. LAL,**
SECTION OFFICER.

ANNEXURE D

Grants sanctioned to Institutions for Family Planning Organisation Camps. All India Organisations

I

Institutions (other than All India Organisations) Organisation of State Level and Municipalities etc.

2

Name of the Organisation	Year	Amounts							
1. Bharat Sewak Samaj	1961-62	..	1961-62	.	.	.	.	.	5,900
	1962-63	1,20,000	1962-63	.	.	.	.	.	..
	1963-64	3,14,289	1963-64	.	.	.	.	.	6,400
	1964-65	4,12,824	1964-65	.	.	.	.	.	64,998
	1965-66	4,27,800	1965-66	.	.	.	.	.	14,848
TOTAL		12,74,913		TOTAL	.	.	.	.	92,146
2. All India Women Conference	1961-62	800							
	1962-63	600							
	1963-64	—	U. P.	.	.	.	.	.	4,600
	1964-65	—	Punjab	.	.	.	.	.	3,000
	1965-66	..	Delhi	.	.	.	.	.	31,100
			Maharashtra	.	.	.	.	.	2,600
TOTAL		1,400	Madras	.	.	.	.	.	3,000
			Bihar	.	.	.	.	.	29,998
3. Indian Red Cross Society	1961-62	35,896	Assam	.	.	.	.	.	3,600
	1962-63	22,520	Orissa	.	.	.	.	.	6,848
	1963-64	27,920		.	.	.	.	.

Statewise break-up.

(1)		(2)			
	1964-65 1965-66	92,800 90,000	West Bengal Gujarat Mysore	.	600 4,000 2,800
TOTAL	.	2,69,136	.	.	.
4. Family Planning Association of India.	1961-62 1962-63 1963-64 1964-65 1965-66	1,400 1,050 10,000 8,049 12,455	.	TOTAL	92,146
TOTAL	.	32,954	.	.	.
5. Bhartiya Gramteen Mahila Sangh.	1961-62 1962-63 1963-64 1964-65 1965-66	. . . 4,000 4,000. .	.	.	.
TOTAL	.	8,000	.	.	.

APPENDIX No. V

[Reference Para Nos. 2.8, 2.17 & 2.19 of the Report]

MINISTRY OF HEALTH & FAMILY PLANNING

Copy of D.O. letter dated the 9th April, 1962 from the Health Minister to the Vice-Chairman, Bharat Sevak Samaj re: Family Planning Programme.

D.O. No. 26-17/62-FP

April 9th, 1962

Dear Shri Hathi,

Thank you for your letter of 28th February, 1962. I am glad that the Bharat Sevak Samaj is taking keen interest in extension of the family planning programme. The proposal has been considered. I suggest that the Bharat Sewak Samaj may chalk out a programme indicating where and when they proposed to hold the camps during 1962-63. It may not be possible at this stage to draw up a programme for the whole year. The Samaj may, therefore, consider preparing a programme for the first three months of 1962-63 so that we may consider the quantum of grant that could be given. Further grant may be paid after they have fully utilised the previous grant. There are a number of agencies who will under take the family planning orientation scheme. Duplication of efforts in this scheme should be avoided. Care is required to be taken that the persons holding the camps should have the requisite training and it is also necessary that these camps should have some enduring effect. The following conditions have, therefore, to be fulfilled before grants are given for these camps:

- (i) The camps will not be held in areas where the State Governments or the Honorary Family Planning Education Leaders propose to hold such camps.**
- (ii) The camps will be held in an area after approval of and under the supervision of officers detailed by the State Government. (Two agencies will be invariably involved, the Health Department of the State Government and Department of Community Development).**
- (iii) Before starting the camps the persons responsible for holding these camps in different areas will attend a regular training course of two months at the Family Planning Training/Centre/Central Health Education Bureau in Delhi, so that a uniform standard for the camps is ensured.**

- (iv) The subsequent grants will depend on recommendations received from the Administrative Medical Officers.
- (v) Volunteers will be selected from each camp to work as Parivar Kalyan Sahayaks and Sahayakas so that the impact of the camps is sustained and the activities do not cease after the camp is over.
- (vi) One of the criteria for declaring a camp successful will be that the number of persons seeking advice and taking contraceptives from the clinics in the areas and the number of sterilisation operations should show appreciable increase.

I would suggest that Dr. Mehta may now work out a programme on the above lines and may send a proposal to the Director General of Health Services, and there would be no difficulty in processing it further.

The Bharat Sewak Samaj camps should be in close collaboration with the State Family Planning Officer and the Family Planning Education Leaders in that area and solely devoted to family planning.

Yours sincerely,

Sd/-

(D. P. KARMARKAR)

Shri J. L. Hathi,
Vice-Chairman,
Bharat Sewak Samaj,
9-A, Theatre Communication Buildings,
Connaught Circus,
New Delhi-1.

APPENDIX NO. VI

[Reference Para Nos. 2.9 and 2.12 of the Report]

Copy of the letter dated the 5th May, 1962 from the Adviser Health and Sanitation, Central B.S.S. to the Director General of Health Services, New Delhi re: Family Planning Orientation Camps.'

BHARAT SEVAK SAMAJ Central Office (Work Camp Section)
9-A, Theatre Communication Building,
Connaught Circus,
NEW DELHI-1.

President:

JAWAHARLAL NEHRU

No. 30

5th May, 1962.

From

Dr. D. R. Mehta,
M.B.B.S. (Pb) D.P.H. (Cantab) D.T.M. & H. (London) etc.,
Adviser Health & Sanitation,
Central Bharat Sevak Samaj (Work Camp Section),
NEW DELHI:

To

The Director General of Health Service,
North Block,
NEW DELHI.

SUBJECT:—Family Planning & Orientation Camps to be conducted by Bharat Sevak Samaj.

Sir,

I am directed to refer to the correspondence between Shri J. L. Hathi Vice-Chairman Central Bharat Sevak Samaj and Shri D. P. Karmarkar the then Minister of Health Government of India on the above subject and to state that at the meeting of the administrative committee of the Bharat Sevak Samaj held on 27th April, 1962 the proposal to carry on educative propaganda in favour of Family Planning has been approved and a sub-committee with myself as Con-
vener to work out the details of the scheme and to secure necessary resources and facilities from the Government and other organisations engaged in Family Planning programme. Copies of the correspondence between Shri J. L. Hathi and Shri D. P. Karmarkar are enclosed for ready reference.

2. The Samaj proposed to undertake this on the following lines:

A. Get about thirty experienced and active key workers trained at the Central Family Planning Training Centres Delhi on a two months course during August-September to enable them to organise Regional and District branches in different parts of the country as well as train organisers of orientation camps.

B. Conduct 60 Regional Organisers training camps and Seminar (ROTC & S) at the headquarters of the Division in each State and in the Union territories during October 1962.

The duration of these camps will be of 4 days, strength 60 including representative from the districts, important towns and block headquarters, three days for intensive training and field studies and last day which will be a Sunday or public holiday for seminar, public meeting and Family Planning Dramas, film shows etc.

Regional Organisers Training Camps & Seminars (ROTC & S).

Organisation.—A special committee will be formed of BSS Regional Camp Organiser, representative of local organisations interested in Family Planning and Social Welfare workers. This Committee will conduct the R.O.T.C.&S. and later supervise the running of orientation camps by these trained in R.O.T.C. & S. as well as watch the progress of follow-up. This *ad hoc* committee will be nominated by the Central B.S.S. Health & Family Planning Section.

Finance.—The Ministry of Health will give an advance grant for these 60 ROTC & S camps at the rate of Rs. 10/- per head (under their 3 days orientation camp scheme) viz. Rs. 600/- for each camp of 60 delegates on Food, T.A. incidentals and organisation total for 60 ROTC & S camps—60x10—Rs. 36,000—and this will be supplemented by local contribution and free facilities and services which will be secured by the Regional Family Planning and Health Committee, Admission register, daily reports, diaries and seminar discussion papers etc. will be properly maintained and final report will be prepared for submission to the Ministry of Health as well as the State Government.

Evaluation.—During the R. OTC & S Seminar an evaluation questionnaire will be prepared and filled by the participants and organisers with a view to make improvements and stimulate original thinking for the Family Planning programme and how to make Family Planning a national movement particularly among men of low income of groups living in Urban Slums bastis as well as in villages.

Scheme for 3 days Family Planning Orientation Camps in Block Headquarters in Rural Areas and Urban Slums and Bastis.

Aims.—To awaken the consciousness for Planned Parenthood amongst village leaders, as well as Urban Slum dwellers and Community Organisers and through their help stimulate and promote Family Planning in Villages and Urban Slums and Bastis to make the family planning an integral part of their life, securing necessary facilities and assistance from the Medical, Health & Family Planning Centres.

Specific objectives as given in the cyclostyled note of the Director Family Planning on Orientation Camps page 4.

Locations.—Block Headquarters and Urban Slums.

Organization.—Of the Orientation camps will be in the hands of *ad-hoc* Committee consisting of prominent BSS & other social workers interested in the promotion of Family Planning with trained organiser as Secretary and Camp Commandant.

Finance.—Ministry of Health will give an *ad-hoc* grant of Rs. 10/- only per delegate for 3 days for 60 campers. This amount is to cover expenditure on food, incidentals T.A. of Organisers and campers from outside at actual 3rd class or bus fare & organisational expenses.

The Bharat Sevak Samaj proposes to hold 500 camps in the third quarter and 500 in the 4th quarter of 1962-63. The cost of holding these camps @ Rs. 10/- per camper will be:—

1. The cost of holding 60 orientation-cum-Seminars. 10x60x00
-36000.
2. IIIrd quarter—500 camps of 60 delegates 500x60x10 3,00,000.
Advance grant required for III quarter 36,000.
3. IV quarter 500 camps for 60 delegates 500x60x10 3,00,000.
Total during 1962-63Rs. 3,60,000.

The Samaj has already got a net work of Regional & District Camp Committees with whole time Zonal and Regional and part-time District Camp Organisers engaged in organizing camps and seminars and other activities.

Besides having more than 500 institutions in urban and rural areas, such as Urban Community and Slum Service Centres, Night

Shelters & Lok Karya Kshetras. The programme of conducting the Family Planning Orientation camps will be according to the instructions laid in Health Ministry's detailed instructions. It will be possible for us to implement the scheme of Family Planning propaganda.

It is requested that early sanction may please be accorded to enable us to select suitable persons to undergo training and also plan the Organisers Training camps-cum-seminars and orientation camps according to programme.

Sd/-

D. R. MEHTA,

Adviser, Health & Sanitation.

Central B.S.S..

APPENDIX No. VII

[Reference Para Nos. 2.10, 2.12, 2.15, 2.21, 2.23, 2.28, 2.36 & 2.41 of the Report]

Note re: Grants to Bharat Sevak Samaj for holding Family Planning Orientation Camps

1. All the 183 Camps conducted by the Bharat Sewak Samaj in 1962-63 were held in rural areas.

According to the scheme drawn up by the Bharat Sevak Samaj a Committee consisting of the (concerned local officials) BDPO, Medical Officer, Head Master, Social Education Officer, Sanitary Inspector and Surpunches of the villages was constituted to arrange for the holding of the camps in order to avoid any duplication of effort. It has also been confirmed by the Bharat Seweak Samaj that there was no overlapping of activities with any other agency in the camps organised by them.

2. Statements indicating the amounts asked for by different voluntary organisations, for the holding of orientation Camps and the amount actually sanctioned to them are placed below (Annexure 'A').

3. Copies of the letters received from the State Health Authorities recommending the sanction of grants to Bharat Sevak Samaj for holding orientation camps after 1963-64 are attached. (Annexure 'B').

4. From 1964-65 onwards the grants were sanctioned to all the voluntary organisations in accordance with the recommendation of the State Family Planning Officers. Even prior to this in some cases, grants were recommended by the State Family Planning Officers.

5. No percentage of overhead expenditure was prescribed while sanctioning grants to voluntary organisations other than Bharat Sewak Samaj.

6. The percentage of gross expenditure incurred by B.S.S. on supervisory charges during 1964-65 comes to about 21 per cent. The B.S.S. have been asked to refund the expenditure incurred by them in excess of the stipulated limit.

7. The year-wise total contributions and miscellenous receipts other than grants from the Government, received by B.S.S., as per consolidated accounts furnished by the Samaj to the Planning Commission are as follows:—

Year	Amount
1962-63	2,01,367.37
1963-64	3,88,243.07
1964-65	2,37,041.42

No target for local contributions was fixed as 100 per cent grants are sanctioned for Orientation Camps.

It has, however, been pointed out by the Bharat Sewak Samaj that the expenditure incurred by them on organising the Orientation Training Camps is less than the amount of grant permissible to them in accordance with the approved pattern of an overall expenditure of Rs. 10/- per camper. Some savings have, therefore, been effected in organising the camps. The details of such saving are shown below:—

Year	No. of Camps held	Expenditure permissible	Expenditure actually incurred
1962-63	183	Rs. 1,09,800	Rs. 1,00,189
1963-64	508	Rs. 3,04,800	Rs. 2,89,724

A part of these saving can presumably be attributed to the help and contribution received by the organisations from the local population in the form of services and other amenities.

ANNEXURE 'A'

Grants sanctioned to Indian Red Cross Society for F.P. Orientation Camps

Sl. No.	Year	Amount asked for	Amount sanctioned	Sanction No. & Date
1	1961-62	32,400	32,400	7-P-9/61-FP 13-6-1961
2	1961-62	Files not readily available.	1,200	14-58/61-FP 14-9-1961
3	1961-62		1,096	14-83/61-FP 23-8-1961
4	1961-62		1,200	26-10/62-FP 17-3-1962
5	1962-63		16,200	14-89/61-FP 23-7-1962
6	1962-63		6,320	26-41/62-FP 21-3-1963
7	1963-64	Files not available	6,320	26-41/62-FP 9-5-1963
8	1963-64	21,600	21,600	26-41/62-FP 23-8-1963
9	1964-65	90,000	90,000	6-6/64-FP 14-7-1964
10	1964-65	..	..	..
11	1965-66	90,000	90,000	6-53/65- 22-2-1966
12	1966-67	..	50,000*	6-53/65 7-10-1966

*Amount of grant released provisionally pending the receipt of audited statement of account in the form required for the grants sanctioned in previous year.

Grants sanctioned to Bharatiya Grammeen Mahila Sangh for Family Planning Orientation Camps

Sl. No.	Year			Amount asked for	Amount sanctioned	Sanction No. & Date
1	1963-64	.	.	.	4,000	26-81/63-FP 5-3-1964
2	1964-65	.	.	.	4,000	26-81/63-FP 25-4-1964
3	1966-67	.	.	.	40,000	2-4/66-FP 31-5-1966

Grants sanctioned to All India Women Conference for Family Planning Orientation Camps

Sl. No.	Year	Amount asked for	Amount sanctioned	Sanction No. & Date				
1	1961-62	.	.	.	800	800	14-27/61-FP	15-6-1966
2	1962-63	.	.	.	.	600	14-132/61-FP,	12-6-1962

Grants sanctioned to Bharat Sewak Samaj for Family Planning Orientation Camps

Sl. No.	Year	Amount asked for	Amount sanctioned	Sanction No. &	Date
1	1961-62	..	..	..	..
2	1962-63	(i) 6,36,000	1,20,000	26-17/72-FP	11-9-1962
3	1963-64	(i) 9,36,550	2,40,000	26-9/63-FP	27-9-1963
4	"	(ii) 2,40,000	50,389*	26-9/63-FP *Not after deducting balance of Rs. 19,800.	7-3-1964
	"	(iii) 15,000	15,000	26-9/63-FP	17-3-1964
	"	(iv) 8,900	8,900	26-9/63-FP	17-3-1964
5	1964-65	(i) 4,57,300	4,12,824*	6-10/64-FP *Not after deducting Rs. 44,76.	15-12-1964 balance of
6	1965-66	(i) 48,000	48,000	6-51/65-FP	17-2-1966
	"	(ii) 36,000	36,000	6-51/65-FP	17-2-1966
	"	(iii) 3,43,800	3,43,800	6-24/65-FP	10-3-1966

**Grants Sanctioned to Family Planning Association of India for
Orientation Camps**

Year	Amount asked for	Amount sanctioned	Sanction No. & date
I	2	3	4
1961-62	2,600	(i) 600	14-61/61-FP dt. 2-1-1962
1961-62	800	(ii) 800	26-3/62-FP dt. 6-3-1962
1962-63	600	(i) 600	26-3/62-FP dt. 15-6-1962
	files not readily available	(ii) 450	8-3-61-FP dt. 25-7-1962
1963-64	6,000	(i) 6,000	26-58-63-FP dt. 30-9-1963
1963-64	400	(ii) 400	26-13-63-FP dt. 16-10-1963
1963-64	1,200	(iii) 1,200	26-22-63-FP dt. 30-9-1963
1963-64	800	(iv) 800	26-23-63-FP dt. 4-10-1963.
1963-64	1,600	(v) 1,600	26-21-63-FP dt. 5-10-1963
1964-65	3,200	(i) 3,200	6-5-64-FP dt. 17-8-1964
1964-65	249	(ii) 249	26-22-63-FP dt. 21-11-1964
1964-65	1,200	(iii) 1,200	6-5-64-FP dt. 17-8-1964
1964-65	1,200	(iv) 600	6-50/64-FP dt. 18-12-1964
1964-65	2,800	(v) 2,600	6-5-64-FP dt. 16-11-1964
1965-66	8,000	(i) 8,000	6-26-65-FP dt. 7-12-1965
1965-66	600	(ii) 600	6-26-65-FP dt. 18-1-1966.
1965-66	6,600	(iii) 6,600	6-66-65-FP dt. 22-2-1966.
1965-66	9,000	(iv) 3,000	6-27/65-FP dt. 1-3-1966
1965-66	600	(vi) 600	6-67/65-FP dt. 1-3-1966.
1965-66	1,800	(vi) 1,800	6-50/64-FP dt. 25-3-1966
1965-66	1,495	(vii) 1,495	6-50/64-FP dt 1-3-1966

1	2	3	4
<hr/>			
1965-66	.	360 (viii)	360 6-50/64-FP dt. 24-3-1966
1965-66	.	20,000 (ix)	20,000 5-48/65-FP dt. 2-3-1966
1966-67	.	1,200 (i)	1,200 6-67/65-FP dt. 1-6-1966

ANNEXURE B

**Directorate of Health Services
Madhya Pradesh**

No. XIII/FP/70936 B

Indore, dt: 10th July, 1964.

The Director General of Health Services,

New Delhi.

Dear Sir,

Enclosed please find an extract copy of letter received from the Bharat Sewak Samaj. The Bharat Sewak Samaj desires to hold 4 Camps in the Rural Areas of each district, and district level and divisional level (camps one each) in the State of M.P., during 1964-65. It is also their intention to organise one State level Camp during the same year. So far, the organisation of Family Planning Camps was being handled by the Government Health Department. On making a review of the Camps held by the Bharat Sewak Samaj in 1963-64, I feel that the education scheme could be easily allotted to this Instt. However, before allotting the total number of Camps required for the population in Madhya Pradesh, it will be reasonable to make an experiment on the number of camps presently proposed by the Bharat Sewak Samaj. I would therefore recommend Govt.'s sanction in their favour.

**Yours sincerely,
Sd/- (L. PANDIT).
A.D.H.S.**

**For Director of Health Services,
Madhya Pradesh.**

No. XIII/FP/

Indore, dt: July, 1964.

Copy forwarded to the Secretary Health & Sanitation Bharat Sewak Samaj, New Delhi, with reference to his letter No. 6891RHC/64, dated 20th June, 1964.

**Sd/- (L. PANDIT),
A.D.H.S.**

**For Director of Health Services,
Madhya Pradesh.**

Extract copy of letter No. 689/RHC/64., dated 20th June, 1964 from Central—Bharat Sewak Samaj, Indore addressed to Dr. Mrs. Pandit, Asstt. Director of Health Services, M.P. Indore.

The Central Bharat Sewak Samaj, Health & Family Planning have recently informed us *vide* their letter No. 30-FP/64-65, dated 18th June, 1964 that the proposals for allotting the F.P. Camps for rural as well as for slums is under consideration of Col. B. L. Raina, the Director, Family Planning, Govt. of India, and as desired by him the approval of the State F.P. Officers is necessary that BSS may hold 3/4 or more camps in each Distt. in rural area, and one slum Urban camp in slum and labour area. So that overlapping or duplicating of F. P. Camps may be avoided. The original memo. received from the CBSS alongwith a copy of letter from Col. Raina, Director, F.P. is enclosed for your perusal.

No. 318 FP. 2.64/831.

Dated Chandigarh the 3-7-64.

From

The Director, Health Services, Punjab.

To

The Director General Health Services,
New Delhi.

SUBJECT:—Family Planning Orientation Camps to be organised by B.S.S. Punjab.

Sir,

With reference to D.O. No. 6-10/64-FP.I., dated 17th June, 1964, from Col. B. L. Raina to the address of Dr. D. R. Mehta, Secretary Health & Sanitation, Bharat Sewak Samaj, New Delhi, I am to state that three Family Planning Orientation Camps per District in Punjab in Rural area or urban areas may kindly be held by the Bharat Sewak Samaj Punjab Pradesh during the year 1964-65. The dates and places may be selected later on in consultation with the Chief Medical Officer of each district.

Sd/-

Director, Health Services, Punjab.

No. 832-33.

Dated Chandigarh the June, 1964.

Copy forwarded to the following for information:

1. The Secretary, Bharat Sewak Samaj, Punjab Chandigarh, with reference to his No. Camps 5-64/FPC, dated 22nd June, 1964.

2. The Secretary, Central Bharat Sewak Samaj (Health and Family Planning) Connaught Circus, New Delhi, with reference to his No. 33 FPP/64-65, dated 18th June, 1964.

Sd/-

Director, Health Services, Punjab.

No. SFP/ST/9-94/64-65.

Dated 29th July, 1964.

From

**Asstt. Director of Public Health,
State Family Planning Bureau,
Bangalore.**

To

**The Director of Family Planning,
Directorate General of Health Services,
New Delhi.**

Sir,

SUB:—Holding of Orientation Training Camps—sanction for—

REF:—Office letter No. SFP/ST/9-94/64-65, dated 9th June, 1964.

In continuation of this office letter on the above subject, I write to state that the Organising Secretary, Bharat Sewak Samaj and Dr. D. R. Mehta, Secretary, Health and Family Planning, Bharat Sewak Samaj, New Delhi have requested to sanction at the rate of 3 rural and one urban F. P. Orientation Camps for each District instead of 4 rural camps for each District. As such, I request you to kindly sanction 17 urban and 51 rural F. P. Orientation Training Camps for the Bharat Sewak Samaj instead of 68 rural Camps.

The places in which these Orientation Training Camps could be held in each District will be fixed up in consultation with the District Health Officer. I have herein enclosed the information required in the prescribed proforma for favour of your kind information in modification of my previous letter. I request you to be good enough to kindly sanction the Orientation Training Camps for the Voluntary Organisation at an early date, so that the Voluntary Organisations could start camps soon after receipt of your sanction.

Yours faithfully,

**Sd/- S. V. RAJA RAO,
Asstt. Director of Public Health.**

From

The Assistant Director,
Family Planning U.P.

To

The Director General of Health Services,
New Delhi.

No. FP/

Dated Lucknow, July, 1964.

SUBJECT:—*Family Planning Orientation Camps through Bharat Sewak Samaj.*

Sir,

I have the honour to inform you that Dr. D. R. Mehta, Secretary, Health & Family Planning, Bharat Sewak Samaj, saw me and discussed his plan of holding orientation camps in State Level Family Planning Orientation Trg., Camps in one State.

From my previous experience, to which Dr. Mehta also agreed, I feel that some of their camps suffer from the following inadequacies:—

1. There is no good selection of leaders.
2. There is no full evolvment of Distt. Family Planning and District Health Organisations.
3. There is no proper follow-up of the leaders trained in an orientation camp.

In order to overcome the above bottle-necks it is desired that in future the camps organised through Bharat Sewak Samaj should be only after approval of the State Family Planning Officer/District Medical Officer of Health in respect of the site, time and participants. Dr. Mehta has also agreed to this suggestion.

In the light of above, I recommend that the following camps may be sanctioned to BSS for U.P.:—

1. 162 Rural F. P. Orientation camps at the rate of 3 camps per district.
2. 15 Urban F. P. Orientation camps at the rate of 3 in each of 'Kabal' Towns.
3. 40 Urban F. P. Orientation camps at the rate of 1 camp in each Distt. Hq. town except the 'Kabal' Towns.

It is requested that the intimation of the allotment may be sent to this office also as soon as the camps are sanctioned to BSS. They may also be asked to keep themselves in touch with this office/ District Medical Officer of Health office from time to time for co-operation, guidance and working out further details.

They have also requested for 3 State Level organised Training Camps. We are not aware of any assistance for such camps and hence desire to know further about the same from you before we can recommend any for them.

Yours faithfully,

Sd/- S. L. TALWAR,
Assistant Director, FP, UP.

Copy forwarded to Dr. D. R. Mehta, Secretary, Health and Family Planning, BSS, New Delhi-1, for information.

No. 1937 (6) /H/VI/FPI-1-133/64-Pt.

From

Dr. S. M. Hassani,
Director of Health Services, Bihar.

To

The Director General of Health Services, New Delhi.
Patna, the 5th August, 1964.

SUBJECT:—F. P. Orientation Camps by Bihar State Bharat Sewak Samaj.

Sir,

I am to send herewith the application dated 6th July, 1964 received from the Bharat Sewak Samaj Bihar State Branch and to recommend holding of sixty-eight F. P. Orientation Camps by the Samaj during 1964-65 for your consideration.

Name of the	No. of campers.
Organisation	No. of Camps

Bihar State Bharat	68 (sixty-eight)	40 campers.
Sewak Samaj—		

Yours faithfully,

Sd/-
Director of Health Services, Bihar.

Immediate

**BIHAR STATE BHARAT SEWAK SAMAJ
HEALTH & FAMILY PLANNING**

No. BSSC/FP/64/71/

**Budhmarg, Patna-1,
Dated the 6th July, 1964.**

**Dr. S. M. Hassan,
Director of Health Services,
Govt. of Bihar, Patna.**

**SUB:—Family Planning Orientation Camps to be organised by BSS,
Bihar.**

Sir,

With reference to D.O. No. 6-10/64-FP.I., dated 17th June, 1964, from Col. B. L. Raina, addressed to Dr. D. R. Mehta, Secretary, Health and Sanitation, Bharat Sevak Samaj, New Delhi, the copy of which have been sent to us, I beg to state that the Bihar State Bharat Sevak Samaj has decided to hold 4 Family Planning Orientation Camps per district, three in rural areas and one in urban area during the year 1964-65.

It might be mentioned here that with a large number of trained full-time and part-time workers as well as honorary helpers with the units of the B.S.S. spread in all Blocks of this State. The Bihar State Branch was also able to organise 70 F. P. camps during 1963-64. These camps were visited by His Excellency the Governor of Bihar, the Ministers including Shri A. Q. Ansari, Health Minister, Shri Nawal Kishore Sinha, State Minister, Officials and others and they all have spoken very high of such camps.

Therefore, you are requested kindly to recommend to the Director General Health Services or to the Director Family Planning that the Bihar Branch of B.S.S. may be allowed to hold 68 F.P. camps ● 4 per district during the year 1964-65.

A copy of the letter by Director, Health Services Punjab recommending F.P. camps for Punjab B.S.S. is enclosed herewith for your kind information. This may kindly be given personal attention treated as Most Urgent.

Yours faithfully,

Sd/- SHEOSHANKER SINGH,

**Joint Secretary,
State Camp Committee.**

No. 6-10/64-FP.I.

Directorate General of Health Services,

New Delhi, the 17th June, 1964.

Lieut. Colonel B. L. Raina,

Director, Family Planning.

Dear Dr. Mehta,

In continuation of conversation of date.

I may reiterate that family planning orientation camps are being planned at State Level. In order to avoid duplication, State Family Planning Officers are required to examine where they will hold camps themselves and the places where the voluntary organisations and local bodies will hold such camps. The State and Regional Health Organisers of the Bharat Sevak Samaj can send the applications for holding family planning Orientation camps through the State Family Planning Officers of the respective states for consideration of this Directorate. The number of camps to be held in a State recommended by the Administrative Medical Officer of the State will be considered for sanction by this Directorate. Any other proposals that you may have may be sent also through the State Family Planning Officers.

Yours sincerely,

Sd/- B. L. RAINA.

Dr. D. R. Mehta,

Secretary, Health & Sanitation,

Bharat Sevak Samaj,

Threatre Communication Building,

New Delhi.

Copy to all State Family Planning Officers.

No. 318-F.P. 64/231.

Dated Chandigarh the 3rd July, 1964.

From

The Director, Health Services, Punjab.

To

The Director General of Health Services,
New Delhi.

**SUBJECT:—Family Planning Orientation Camps to be organised by
B.S.S. Punjab.**

Sir,

With reference to D.O. No. 6-10/64-F.P.I., dated 17th June, 1964, from Col. B. L. Raina, to the address of Dr. D. R. Mehta, Secretary, Health & Sanitation, Bharat Sewak Samaj, New Delhi, I am to state that three Family Planning Orientation Camps per district in Punjab in rural area or urban areas may kindly be held by the Bharat Sewak Samaj, Punjab Pradesh, during the year 1964-65. The dates and places may be selected later on in consultation with the Chief Medical Officer of each district.

Yours faithfully,
Sd/-

Director, Health Services, Punjab.

No. 832-33, dated Chandigarh the July, 1964.

Copy forwarded to the following for information:—

1. The Secretary, BSS, Punjab, Chandigarh with reference to his No. camps-5-64/FPC, dated 22nd June, 1964.
2. The Secretary, Central Bharat Sevak Samaj (Health and Family Planning) Connaught Circus, New Delhi, with reference to his No. 30-FP|P| 64-65, dated 18th June, 1964.

Sd/-

Director, Health Services, Punjab.

(Proforma for recommendation to Director F. Planning, N. Delhi)

Dear Col. Raina,

Reference your D.O. letter No. 6-10/64 FP. I, dated 17th June, 1964, to Dr. D. R. Mehta, Secretary, Health and Family Planning.

Central Bharat Sevak Samaj, New Delhi and copy to all State Family Planning Officers.

I recommend that Bharat Sevak Samaj be allotted the following Orientation Training Camps :

1. _____State Level Family Planning Organiser's Training camps (State FP. OTC).
2. 3 Family Planning Orientation camps per district.
Total_____
3. One Urban camp for Slum and labour colony dwellers at each district Headquarters. Total

The individual selection for site and dates of the camps will be made by the Bharat Sevak Samaj in consultation with the District Medical Officers/Distt. Family Planning Officers to avoid duplication.

Yours sincerely,

Sd/- State Family Planning Officer.

Copy to Dr. D. R. Mehta, Secretary Health & Family Planning Central Bharat Sevak Samaj, 9-A, Theatre Communication Building, Connaught Circus, New Delhi.

EXPRESS OUT TODAY

No. F. 116/FP/64/199(3)

From

The Director of Medical & Health Services, Rajasthan
Jaipur.

To

The Director General of Health Services,
New Delhi.

Attn: Col. B. L. Raina, Director, F.P.

Sub:—Family Planning Orientation Camps to be organised by Bharat Sevak Samaj, in Rajasthan during the year 1964-65.

Sir,

Kindly refer to your endorsement No. 6-10/64-P. VI, dated 19th June, 1964, from Lt. Col. B. L. Raina, Director, Family Planning,

addressed to all State Family Planning Officers, and find enclosed herewith a copy of letter No. 895, dated 28th July, 1964, from Shri Sri Pal Singhi, Pradesh Youth & Camp Organiser, Bharat Sevak Samaj, Jaipur addressed to this office, and recommend that Bharat Sevak Samaj, Rajasthan be allotted the following Orientation Camps during the year 1964-65 for Rajasthan:—

- (i) One State Level and two Regional Level Family Planning Organisers' Training Camps.
- (ii) One Urban Camp for slum and labour colony dwellers at each of the 26th District Headquarters in Rajasthan.
- (iii) 3 Family Planning Orientation Camps per District for Rural Areas-78.

The individual selection for site and dates of the Camps will be made by the Bharat Sewak Samaj in Consultation with the District Medical & Health Officers and Assistant Director of Medical & Health Services (F.P.) Rajasthan to avoid duplication.

Yours faithfully,
Sd/-

*Director of Medical & Health Services,
Rajasthan, Jaipur.*

Copy forwarded for information:—

1. Secretary to the Govt. Medical & Public Health Deptt. Rajasthan, Jaipur with reference to discussions held by the Health Minister with the representatives of the Bharat Sewak Samaj and the Officers of this Dte. on 27th July, 1964 in his chamber.

2. Shri Sri Pal Singhi, Pradesh Youth and Camp Organiser, Bharat Sevak Samaj, Jaipur with ref. to his letter quoted above.

3. Dr. D. R. Mehta, Secretary, Central Bharat Sevak Samaj (Health & Family Planning) Connaught Circus, New Delhi.

Sd/-
*Director of Medical & Health Services,
Rajasthan, Jaipur.*

**BHARAT SEWAK SAMAJ PRADESH OFFICE (HEALTH & F. P.)
4, MUSEUM MARG, JAIPUR.**

No. BSS/FPC/64-65/Raj/895

dt. 28-7-1964.

SUB:—*Family Planning Orientation Camps and State Level Family Planning Organisation Training Camps to be held by the Bharat Sewak Samaj, in Rajasthan.*

Dear Sir,

In confirmation of my personal talk with you, I am sending herewith proposals on behalf of the Bharat Sewak Samaj, for holding family planning Orientation Camps at the rate of three in the Rural Areas and one in Urban area in each of the 26 districts of Rajasthan. The total number of camps will be 78 Rural and 26 in Urban town during the year 1964-65.

The objective and programmes of these camps will be on the same pattern as prescribed by the Directorate of Family Planning, Union, Ministry of Health. The samaj has during the past two years, conducted more than 600 such camps. The Director of Family Planning Col. B. L. Raina has in his letter dated the 5th June, 1964 addressed to our Central Secretary with copies to all State Family Planning Officers suggested that the Samaj should hold these camps in collaboration with the State Family Planning Officers to avoid duplication.

Copies of reports of the camps received from concerning Medical Officers and B.D.O's have already sent to you.

We shall hold these camps in our State in consultation with the District Medical or F.P. Officers of Health and select place as suggested by him. The Samaj requests the full cooperation and help of the officers to explain the various technical and medical aspects of family planning. The organisation of camps and selection of campers from Panchayat members, school teachers, Block and Village level officials etc., will be done by the Samaj in consultation with the concerned departments.

The Camps in urban areas will be held in District headquarter, towns and in locality inhabited by the low income group and working classes, amongst whom Propaganda for Family Planning is essen-

tial. The Samaj will also hold 1 State Level and 2 Regional level training camps for training the organisers of the Rural and urban camps. The training camps will be for a week's duration to give them intensive knowledge of various aspects of Family Planning.

It is hoped that with the programme of three Rural and one urban camps per district $78 + 26 = 104$ camps and 3 State and Regional level Training Camps, the samaj will be able to motivate the people in favour of planned parenthood sterilisation, use of contraceptives and family welfare.

It is requested that you will kindly recommend the above proposal to Col. B. L. Raina, Director of Family Planning, Union Ministry of Health, New Delhi, as per performa enclosed. Same order has been issued by Punjab Government Copy of which is enclosed.

Thanking you.

Yours sincerely,
Sd/- SHRIPAL SINGHI.

Director of Health Services,
Rajasthan.

GOVERNMENT OF PONDICHERRY
OFFICE OF THE STATE FAMILY WELFARE PLANNING
OFFICER

No. 45/FPC/64

163, Bharathy St., Pondicherry

Dated 28th July, 1964.

To,

**The Director,
Family Planning,
Directorate General of Health Services,
New Delhi.**

**Through: Chief of the Health Services,
Pondicherry.**

Sir,

SUB: *State Family Planning Officers' recommendations for Bharat Sevak Samaj—Family Planning Orientation Camps.*

REF: Director, Family Planning, Delhi letter No. 6-10/64, FP I., dated 17-6-1964 to Dr. Mehta, Bharat Sevak Samaj, New Delhi.

The Bharat Sevak Samaj, Pondicherry has arranged for holding of Family Planning Orientation Training Camps in the various places in Pondicherry and Karaikal as per copy of their letter dated 8/10th July, 1964 enclosed herewith.

As this will not cause any duplication to our programme, it is recommended for sanction at an early date. **M**

Yours faithfully,

**Sd/- Dr. C. Satyavathy,
State Family Planning (Welfare) Officer.**

BHARAT SEVAK SAMAJ

President

Jawaharlal Nehru

91, Ranga Pillai Street,

Pondicherry-1, 8|10th July, 1964.

**The State Family Planning Officer,
163, Bharathi Street,
Pondicherry.**

Sir,

SUB:—Holding of Family Planning Orientation Training Camps during 1964-65.

Ref: Your letter No. 39/FPC/64 d/6/7/64.

I am to refer to your letter cited above and to say that the proposals for the holding of Family Planning Orientation Training Camps during the year 1964-65 called for in your letter are furnished below:—

S. No.	Location	No. of persons	Type	Probable date & period of the Camp
1.	Muthialpeet .	60	Urban	From 11-10-64 (1 week).
2.	Calapet .	60	Rural	From 26-12-64 (3 days).
3.	Tirubhuvanai .	60	Rural	From 29-12-64 (3 days).
4.	T. R. Pattinam (Karaikal)	60	Rural	From 2-1-65 (3 days).

I am to say that an amount of Rs. 2000/- at the rate of Rs. 500/- per camp may be required for holding the camps as detailed above.

In the circumstances, we shall be grateful if you could kindly recommend the case to the Director, Family Planning, Directorate General of Health Services, New Delhi, at an early date.

Yours faithfully,

Sd/- Chairman.

Copy to:—

The Secretary, Health & Family Planning, Central Bharat Sevak Samaj, 9-A, Theatre Communication Building, New Delhi.

True copy.

Sd/-, Dr. J. Ponnou,
Chef du Service de Santd.
Pondicherry.

GOVERNMENT OF WEST BENGAL
DIRECTORATE OF HEALTH SERVICES, WRITERS' BUILDINGS,
CALCUTTA.

No. HMC-F-10175

Dated, Calcutta, the 31st July, 1964.

To,

The Directorate General of Health Services, New Delhi.

SUB: *Holding of Family Planning Orientation Training Camps under the auspicious of Bharat Sevak Samaj in the State of West Bengal during 1964-65.*

Dear Sir,

A proposal for holding of Family Planning Orientation Camp in the State of West Bengal during 1964-65 has since been received from the Bharat Sevak Samaj as stated below.

- (a) 45 Rural Family Planning Orientation Camps at the rate of 3 camps per district.
- (b) 18 Urban Family Planning Orientation Camps at rate of one camp per district Headquarter for Slum and Labour Colony Dwellers. Except Calcutta Corporation where the No. will be 3.

The duration of the camps will be 3 days and 60 persons will be orientated in each camp. As regards location of the proposed camps the authority concerned has not furnished the exact location but they have intimated that the locations will be selected in consultation with the undersigned after received necessary sanction from the Government of India.

In the circumstances, it is requested that the necessary sanction of the Government of India to incur the expenditure for holding of 63 camps under the auspicious of Bharat Sevak Samaj (Bengal Branch, 135E, Canning Street, Top Floor, Calcutta-1) may kindly be accorded as early as possible.

Yours faithfully,

Sd/-.

State Family Planning Officer
West Bengal.

Copy of letter No. 13309/PL, dated 12-11-1965 from Joint Director of Health Services, Orissa, Bhubaneswar addressed to the Director General of Health Services, New Delhi.

Sub: Proposal for organisation of Family Planning Orientation Camps by Bharat Sevak Samaj, Orissa Branch and sanctioned funds for the year 1965-66.

I have the honour to state that Pradesh Organising Secretary, Bharat Sevak Samaj, Orissa Branch as furnished a proposal for Organisation of 19 Urban and 41 Rural Family Planning Organisation Camps consisting of 60 persons in each camp in this State during the year 1965-66. A copy of their programme is enclosed. A sum of Rs. 36,000 is required for organisation of these camps by this organisation.

It is requested that the funds required for organisation of the camps may kindly be sanctioned in favour of the State Bharat Sevak Samaj under intimation to this Directorate to enable them to organise these camps.

The Bharat Sevak Samaj have organised 35 camps during 1964-65, for which a sum of Rs. 19618·85 paisa has been incurred out of the grant. The audited account duly countersigned is enclosed.

Sd/- K. C. TRIPATHY,

***Joint Director of Health Services,
Orissa.***

Memo. No. 13310/PL

Dated 12-11-1965.

Copy forwarded to the Organising Secretary, Bharat Sevak Samaj, Orissa, Cuttack for information with reference to his letter No. 264/FP., dated 3-11-1965.

Sd/- K. C. TRIPATHY,

***Joint Director of Health Services,
Orissa.***

BHARAT SEVAK SAMAJ

Health and Family Planning

District	No. of Camps		Place	No. of cam- pers in each camp	Grant per camp	Total grant
	Urban	Rural				
I	2	3	4	5	6	7
Cuttack	3	..	1. Biranasi	60	600	
			2. Kendrapara	60	600	
			3. Jaijapur	60	600	
			4. Gurudijhatia (Athagarh)	60	600	
			5. Dharamadaspur (Mahanga)	60	600	
			6. Kosida	60	600	
			7. Binjharpur	60	600	
			8. Indupur	60	600	
			9. Marsaghai	60	600	
			10 Raghunathpur	60	600	6,000
Puri	2	1	1. Kumbharpara	60	600	
			2. Khorda	60	600	
		6	3. Bhubaneswar	60	600	
			4. Konark	60	600	
			5 Bhahadajhola	60	600	
			6. Harirajapur	60	600	
			7. Kuhudi	60	600	
			8. Ranapur	60	600	4,800
Balasore	2	6	1. Bhadrak	60	600	
			2. Nilagiri	60	600	
			3. Rupsa	60	600	
			4. Mangalapur	60	600	
			5. Kumbharia	60	600	

I	2	3	4	5	6	7
			6. Jaleswar . . .	60	600	
			7. Bhogarai . . .	60	600	
			8. Dungura . . .	60	600	4,800
Ganjam . . .	2		1. Paralakhimindi . . .	60	600	
			2. Aska . . .	60	600	
		6	3. Dharakote . . .	60	600	
			4. Jagannathprasad . . .	60	600	
			5. Soroda . . .	60	600	
			6. Pillasara . . .	60	600	
			7. Khallikote . . .	60	600	
			8. Purushotampur . . .	60	600	4,800
Kalahandi . . .	1		1. Bhawanipatna . . .	60	600	
		2	2. Khariar Road . . .	60	600	
			3. Dharamagarh . . .	60	600	1,800
Sundargarh . . .	1		1. Rourkela . . .	60	600	
		1	2. Biramitrapur . . .	60	600	1,200
Mayurbhanj . . .	2	..	1. Baripada . . .	60	600	
			2. Karanjia . . .	60	600	
		2	3. Betanati . . .	60	600	
			4. Pratappur . . .	60	600	2,400
Keonjhar . . .	1	..	1. Anandapur . . .	60	600	
		2	2. Raitola . . .	60	600	
			3. Hatadhi . . .	60	600	1,800
Dhenkanal . . .	1		1. Dhenkanal . . .	60	600	
		2	2. Kamakhyanagar . . .	60	600	
			3. Dera Colliery . . .	60	600	1,800
Bolangir . . .	2	..	1. Patnagarh . . .	60	600	
			2. Saintola . . .	60	600	
		5	3. Khaparakhhol . . .	60	600	
			4. Luisinga . . .	60	600	

1	2	3	4	5	6	7
			5. Tusora . .	60	600	
			6. Tarava . .	60	600	
			7. Binika . .	60	600	4,200
Sambalpur .	2		1. Sambalpur .	60	600	
			2. Brajaraj Nagar .	60	600	
		2	3. Barapali .	60	600	
			4. Jharasuguda .	60	600	2,400
	19	41	60		36,000	

Sd/- T. N. SETHI,
 Organiser,
Health and Family Planning.

No. VI/FPI-35/65, 2261/61-H.

From,

Dr. S. M. Hassan,
Director of Health Services, Bihar, Patna.

To,

The Director General of Health Services,
New Delhi.

Patna, the 27-8-1965.

SUBJECT:—Family Planning Orientation Camp by Voluntary Organisation.

Sir,

I am to forward herewith a copy of letter No. 627/65, dated 9-8-65 on the subject mentioned above received from the Joint Secretary, Bharat Sevak Samaj, Bihar State Branch, Budh Marg, Patna-1 and to recommend as follows:—

Name of the organisation	No. of camp recommended	No. of campers to each camp
Bharat Sevak Samaj Bihar State Branch, Budh Marg, Patna-1.	80 (Eighty)	@60 campers to each camp.

Yours faithfully,

Sd/-.

Director of Health Services, Bihar,
Patna.

BIHAR STATE BHARAT SEVAK SAMAJ
(Health and Family Planning)

No. BSS/FP/627/65

Budhmarg, Patna-1.

Dated 9th August, 1965.

To,

**The State Family Planning Officers,
Bihar, Patna.**

SUB:—Family Planning Orientation Training Camps by the Bihar State Bharat Sevak Samaj, during 1965-66.

Sir,

The Bihar State Bharat Sevak Samaj is grateful to the State Government, Health Department for recommending 68 Family Planning Orientation Training Camps during the year 1964-65. 66 camps were organised by the Samaj with due credit and great success—although the sanction were received late i.e. in the month of January, 1965. In most of the camps more than the sanctioned strength of 60, regularly attended the camps. More than 150 operations were performed in and after the camps. About 1000 persons have offered for sterilisation and 675 persons have enrolled themselves for training and also to work as honorary Pariwar Kalyan Sahayaks and Sahayakas as a result of these camps. In many places local Health Committee have been also constituted. The accounts of all the 66 camps have been audited and sent to D.G.H.S., New Delhi through your office with the utilisation certificate.

Being encouraged with the result of these camps as well as the willing cooperation response and pressing demand of the people, the Samaj has decided to hold 170 F. P. orientation training camps in

various parts of the State @10 camps per district. The detailed break up of these camps will be as follows:—

Total no. of Camps	Location of camps to be held	No. of camper to be trained in each camp	Duration
170 camps @10 camps per district.	136 in rural areas and 34 in urban areas. Location of each camp will be finalised with the consulta- tion of Block Medi- cal Officers and Distt. Civil Surgeons.	60 in each camp.	Full three days for camps in rural areas and six (evening) for camps in urban areas.

Prior to holding these camps the Samaj further proposes to organise one State level F. P. organisers training camp for 10 days for 75 trainees in order to orientate more workers for conducting and carrying out Family Planning Programme.

You are, therefore, requested kindly to recommend to the Directorate General of Health Services or to the Director Family Planning Central Government that the Bihar State Branch of the Bharat Sevak Samaj should be sanctioned 170 F. P. O. T. camps @10 camps per district for the 17 districts of Bihar and one State level F. P. camp organisers Training camp during the year 1965-66. This may kindly be given personal attention and expedited at your earliest convenience.

Thanking you,

Yours faithfully,
Sd/-
BANBIR SINGH,
Joint Secretary.

DIRECTORATE OF HEALTH SERVICES, MADHYA PRADESH

No. XIII/FP/G-72/1965/L-27405-B. dt. Indore, the 4th December, 1965

To,

**The Director General of Health Services,
New Delhi.**

SUB:—*Holding of Family Planning Orientation Camps by Bharat Sewak Samaj in 1965-66.*

Sir,

This organisation has been conducting such camps during the past 3 to 4 years in this State. Last year they had organised about 170 camps spread over the entire State. This year the organisation has proposed to hold 5 camps one at the district headquarter and four in the rural areas in each district. This State has 43 districts. Besides this, they also propose to hold orientation training camps one each at the seven divisional headquarters of 7 days duration and one at the State level either at Bhopal or Indore of the same duration. The State Government has sanctioned holding of 370 orientation camps in the State. One of the criteria fixed for these camps by the State is that atleast 10 sterilization operations must be conducted in each camp in order to fulfill the conditions for receiving financial grants. This has been done with the idea of:—

- (i) Making the people participating in the camp to understand that such operations are very simple and do not need any apprehension.
- (ii) To achieve the desired target of sterilisation operations.

I strongly recommend of holding of the above camps by the Bharat Sevak Samaj out of the Central quota and in order to achieve the same objective atleast 10 vasectomy operations be performed in each camp.

Yours faithfully,

Sd/-.

Dy. D.H.S. (FP)

**for Director of Health Services,
Madhya Pradesh.**

Endt. No. XIII. FP/G.72/1965.

Dt. Indore, the Dec. 1965.

Copy to:—

1. The Secretary, Health and Sanitation, Central BSS, New Delhi-1, with reference to his letter No. 30-FPP/65-66, dated 26/30th Nov. 1965 for information.
2. The Secretary, Madhya Pradesh Bharat Sevak Samaj, Sadar Manjil, Bhopal with reference to his letter. No. 1345/65, dt. 28th Nov. 1965 for information.
3. The Secretary, State Health Committee, Bohara Bazar, Indore, Madhya Pradesh, for information.

Sd/. D. D. Bhattacharya,

Dy. D.G.H.S. (FP)

for director of Health Services,
Madhya Pradesh.

D/4-12-65.

No. FP (II) /65—279.

Office of the State Family
Planning Officer, Pondicherry.
23rd November, 1965.

The Director General of Health Services,
Ministry of Health, Patiala House,
New Delhi.

Sir,

SUB:—*Holding of Family Planning Camp by Bharat Sevak Samaj during 1965-66.*

The Bharat Sevak Samaj, Pondicherry State conducted four Family Planning Camps during the year 1964-65. Accounts and reports of these camps are being submitted to the Ministry of Health. It is recommended that for the year 1965-66 they may please be sanctioned the following number of camps:—

(a) In Urban Areas (6 days evening camps).	No. of Camps	Campers in each camps	Grant@ Rs. 10 per camper	Total Rs.
One in each Distt. Hqrs.	1	60	600	600
(b) <i>In Rural Areas</i> (3 camps in each Distt. 3 days duration)	3	60	600	1,800
				<u>2,400</u>

It is recommended that a grant of Rs. 2,400/- may kindly be sanctioned at a very early date so that the work may be started with due preparations.

It may be added that to avoid any duplication and get the full cooperation, guidance and help of the local District and the State Health authorities, the venues and dates of camps will be decided with the consultation of the concerned Health authorities.

Thanking you,

Yours faithfully,
Sd/- Dr. J. S. Chandran,
State Family Planning Officer,
Pondicherry.

Copy to:—

1. Secretary, Health & Family Planning,
Central Bharat Sevak Samaj, New Delhi.
2. State Health Committee, Bharat Sevak Samaj, Pondicherry.

From:—

No. FP/8(116)/65/1470

The Director of Medical & Health Services.
Rajasthan, Jaipur.

To,

The Director General of Health Services, New Delhi.

SUB:—*Family Planning Orientation Camps to be organised by
Bharat Sevak Samaj in Rajasthan during the year 1965-66.*

Dated the 15-12-1965.

The Chairman, Bharat Sewak Samaj, Rajasthan, Pradesh Karyalaya, Jaipur vide his letter No. BSS|LKK|4545, dt. 10|11|65 (copy enclosed) has requested for conducting Family Planning Orientation Camps in this State during the year 65-66.

It is requested that Bharat Sewak Samaj, Rajasthan be allotted the orientation camps as per their letter enclosed.

The individual selection for site and date of the camps will be made by the Bharat Sewak Samaj in consultation with the District

Medical & Health Officers & Asstt. Director of Health Services (FP); Rajasthan to avoid duplication.

Sd/-
Director of Medical & Health Services,
Rajasthan, Jaipur.

Copy forwarded for information and necessary action to the following:—

- (1) The Secretary to the Government, Medical & Public Health Department, Rajasthan, Jaipur.
- (2) The Accountant (Family Planning).
Along with a copy of letter No. BSS|LKK|4545 dt. 10 November 1965 from the Chairman, Bharat Sewak Samaj, Jaipur.
- (3) The Chairman, Bharat Sewak Samaj, Jaipur, 4, Museum Marg, Jaipur.

DIRECTOR OF MEDICAL & HEALTH SERVICES, RAJASTHAN,
JAIPUR

Copy of letter No. BSS|LKK|4545 dated 10|11|65 from the Bharat Sewak Samaj, Jaipur to the D.M. & H.S. (P.L. Rishi) Rajasthan, Jaipur.

You know that for the last 4 years the Bharat Sewak Samaj, has been organising successfully orientation Family Planning camps throughout the country. The Pradesh Bharat Sewak Samaj proposes to hold during the current year 1965-66, 104 Family Planning Orientation Camps in this State as detailed below:—

- (1) One Urban F.P. Orientation Camp for slum and Labour Colony dwellers at each District Headquarters . . . 26
- (2) 3 Family Planning Orientation Camps per distt. for rural areas 26 × 3. 78

As proposals in respect of allotment of these camps in various states have to be forwarded to the Central Directorate of Medical & Health Services by the State Directorate alongwith its recommendations, I shall feel grateful, if you kindly recommend to the Director General of Health Services, New Delhi for the allotment Family Planning Orientation camps to the Pradesh Bharat Sewak Samaj as detailed above. As the year has already much too advanced, it is requested that the matter may kindly be treated as very urgent. In case the sanction for the allotment of camps is received late difficulty will be experienced by all concerned in organising them. It is regretted that we could not move you earlier in the matter.

The selection of places and dates of the camps will be made by the Bharat Sevak Samaj in consultation with the District Medical & Health Officers and Asstt. Director of Medical & Health Services (FP) to avoid duplication.

A copy of the recommendation made by the State Directorate last year in this regard is enclosed for ready reference.

Public Health Department

No. FPL—GAD-102059-F of 1965 Poona-1,

22nd Dec., 1965.

To

The Director General of Health Services,
New Delhi.

SUBJECT:—*Holding of O.T.C. camps by the Bharat Sevak Samaj, Maharashtra Pradesh.*

Please find herewith application dated 30th Nov. 1965 from the General Secretary, Bharat Sevak Samaj, Maharashtra Pradesh, Bombay, requesting to sanction O.T.C. camps for favour of consideration.

2. The O.T.C. camps to this Voluntary Organisation were sanctioned by you last year. The necessary expenditure statement duly scrutinised has already been furnished to you under this Office No. GAD—Bharat Sevak Samaj-F, dated 3rd November, 1965.

3. O.T. Camps 4 per district are being organised by the State Government in each district in the current year. In case, camps to be organised by Bharat Sevak Samaj, are also sanctioned they may please be instructed to hold these camps in consultation with the P.H.O. and the District Family Planning Officers, in the district, so that camps can be held at different places.

4. The State Family Planning Bureau will assist them in this case.

Sd/- (S.D. KULKARNI),

Officer i/c Family Planning.

Copy w.cs. to:—The General Secretary, Bharat Sevak Samaj, Maharashtra Pradesh, Naraindas Building, Fort, Bombay No. 1.

GOVERNMENT OF ANDRHA PRADESH

No. 79799-T5/65.

Dated 29th January, 1966.

From

Dr. Ghulam Ahmed. MBBS (Osm), MRCS (Eng).
 LRCP (Lond), DPH (Ire).,
 Director of Public Health,
 Andhra Pradesh, Hyderabad.

To

The Director General of Health Services,
 Ministry of Health (Family Planning).,
 Patiala House, NEW DELHI-2.

SUBJECT:—*Holding of Family Planning Orientation Training camps
 by Bharat Sevak Samaj—During the year 1965-66.*

REFERENCE:—*From, the chairman Bharat Sevak Samaj, No. 30-FPP/
 65-66, dated 27th September, 1965.*

Sir,

I forward the letter cited from Bharat Sevak Samaj requesting grant for conducting Orientation camps during 1965-66.

I recommend that the No. of camps as suggested below may be allotted to the Bharath Sevak Samaj.

In urban areas	No. of camps	Campers for each camp	Grant per camp
I. One camp at each of the 10 Dist. Hqs.	10	40	Rs. 400
II. Rural Areas			
One camp in each District	20	40	400

The Bharat Sevak Samaj should be asked to conduct the above camps as suggested below in order to avoid duplication of the camps being held by Government and other agencies.

(a) *Rural Camps*: They should conduct the camps in such of those rural areas where there are no Primary Health Centres.

(b) *Urban Camps*: They should conduct the camps in slum areas.

Yours faithfully,
 Sd/- (K. M. SWAMY),
 for Director of Public Health.

No. 42-IFP-66/1486.

Dated Chandigarh the 4-2-1966.

From

The Director, Health Services,
Punjab.

To

The Director General of Health Services,
NEW DELHI.

SUBJECT:—Holding of Family Planning Camps by Bharat Sevak Samaj during 1965-66.

Sir,

I am to state that the Secretary, State Health Committee, Bharat Sewak Samaj, Punjab, Chandigarh, vide his letter No. Camps/845, dated 1st January, 1966 (copy enclosed) has requested to allow him to hold the following Family Planning Camps during the year 1965-66.

(a) In Urban Areas	No. of Camps	Compers in each camp	Grant@ Rs. 10/- per camper	Total Amou nt
(6 days evening camps) One in each Distt. Head- quarters	19	60	600	11,400·00
(b) In Rural Areas 3 camps in each District (3 days duration)	57	60	600	34,200·00
	TOTAL			45,600·00

It is recommended that the Family Planning Orientation camps may be allowed to be held by the Bharat Sevak Samaj, during the year 1965-66 as under:—

1. In Urban Area—One Orientation Family Planning Camp at each District Headquarter as requested by the Bharat Sewak Samaj.
2. In Rural Areas—3 Camps in each district i.e., 57 camps in 19 districts, in the state (except Lahaul and Spiti) of one day's duration.

This recommendation is made subject to the condition that:—

- (1) All the arrangements will be made and expenditure incurred in consultation with the Chief Medical Officer of the District concerned and

(ii) Subject to his (Chief Medical Officer) Verification of the accounts etc.

Yours faithfully,

Sd/-

Deputy Director (F.P.)
for Director Health Services, Punjab.

No. 42-IFP-66/

Dated Chandigarh the:—

Copy forwarded to the Secretary State Health Committee, Bharat Sevak Samaj, Punjab, Chandigarh for information.

Sd/-

Deputy Director (F.P.)
for Director Health Services, Punjab.

COPY OF LETTER NO. CAMPS/845, DATED 1-1-1966, FROM THE BHARAT SEVAK SAMAJ, PUNJAB PRADESH, SECTOR 22-B, CHANDIGARH TO THE DIRECTOR, HEALTH SERVICES, PUNJAB, CHANDIGARH.

SUBJECT:—*Holding of Family Planning camps by Bharat Sevak Samaj during 1965-66.*

Like last year the Bharat Sevak Samaj, Punjab, State Proposes to hold Family Planning Camps in the State, which may please be recommended for sanction to the Director General of Health Services. Ministry of Health, New Delhi, as below:—

(a) In Urban Areas	No. of camps	Campers in each camp	Grant@ Rs. 10/- per camper	Total Amount
(6 days evening camps) One in each District Head-quarters	19	60	600	11,400
(b) In Rural Areas				
3 Camps in each Distt. (3 days duration)	57	60	600	34,200
			TOTAL	45,600

In this connection a reference is invited to D.O. letter No. Camps-752 dated 14-12-1965, of Shri D. D. Khanna, Pradesh Chairman, Bharat Sevak Samaj Punjab addressed to Smt. Om Prabha Jain Health Minister, Punjab, and her reply per D.O. letter No. 2703-HM-65 dated 17-12-1965 (copies enclosed) for perusal.

Kindly treat this as (IMMEDIATE).

COPY OF D.O. LETTER No. CAMPS-752 DATED 14-12-1965 FROM SHRI D. D. KHANNA, Chairman, Bharat Sevak Samaj, Punjab Pradesh CHANDIGARH TO SMT. OM PRABHA JAIN, HEALTH MINISTER PUNJAB.

Last year, the Bharat Sevak Samaj, Punjab Pradesh had organised two Family Planning Camps per district. The Ministry of Health, Government of India, is very particular that during current financial year, 1965-66 the B.S.S. should also implement this programme which has got to be approved by the State Family Planning Officer before it is sent to the Ministry of Health. I shall very much appreciate if you could very kindly arrange for the issue of necessary instructions to all the Chief Medical Officers in all the districts of the State to select places however much camps should be held in consultation with our Regional Programme Organisers who are also being asked by me to contact the Chief Medical Officer, concerned.

COPY OF D.O. LETTER No. 2763-HM-65 DATED 17-12-1965 FROM SMT. OM PRABHA JAIN, HEALTH MINISTER, PUNJAB, CHANDIGARH, ADDRESSED TO SHRI D. D. KHANNA, CHAIRMAN, BHARAT SEVAK SAMAJ, SECTOR 22-B, OPPOSITE AROMA, CHANDIGARH.

I have received your letter No. Camps-752 dated the 14th December, 1965, regarding the organisation of Family Planning Camps in the districts during the current financial year. I have asked the Director of Health Services to issue necessary instructions in the matter.

PUBLIC HEALTH DEPARTMENT

From

The Director of Public Health,
81-Mount Road,
Madras-6.

To

The Director General of Health Services,
NEW DELHI.

K. Dis. No. 164505-FP/CI/65 dt. 27-11-1965.

Sir,

SUB: *Holding of Family Planning Orientation Camps by the Bharat Sevak Samaj during 1965-66—Permission Granted.*

Ref:—Letter dated 19-10-1965 from the Secretary Bharat Sevak Samaj, Madras Pradesh, Madras.

I forward herewith the letter No. 30-FPP/65-66 dated 29-9-65 from Bharat Sevak Samaj to the Director General of Health Ser-

vices, New Delhi regarding the holding of Family Planning Orientation camps during 1965-66 and it is requested that the Bharat Sevak Samaj of the Madras, Branch may be permitted to hold the Family Planning Orientation camps during 1965-66 and the amount asked for by them may kindly be sanctioned.

Yours faithfully,
Sd/-

for Director of Public Health, Madras.

(AKB)/29.11

Copy to the Secretary, Bharat Sevak Samaj, Madras Pradesh, "Guard Room", Govt. House Estate, Mount Road, Madras-2.

A COPY OF LETTER NO. 30-FPP/65-66 DATED THE 29TH SEPTEMBER, 1965, FROM THE CHAIRMAN B. K. CHANDIWALA, BHARAT SEWAK SAMAJ, CONNAUGHT CIRCUS, NEW DELHI TO THE DIRECTOR GENERAL OF HEALTH SERVICES, MINISTRY OF HEALTH & FAMILY PLANNING, PATIALA HOUSE, NEW DELHI. THROUGH THE STATE FAMILY PLANNING OFFICER, MADRAS STATE, MADRAS.

During the year 1964-65, the State Family Planning Officer Madras State, recommended the following family planning orientation training camps:—

39 in Rural Areas.

14 in Urban Areas.

Out of these, 20 camps were sanctioned to the Regional Health Committee and they held 11 in rural areas and 7 in urban areas very successfully with the full co-operation, co-ordination and help of the State and District Health and Development Department authorities. Audited accounts of these camps are at present with the State Family Planning Officer, Madras State, and will be submitted to the Ministry soon.

2. In view of the facts that special stress is to be laid on the extensive use of Intra-Uterine Contraceptive Devices in the women and sterilisation in the men, Bharat Sevak Samaj, proposes to hold the following camps in the Madras State during 1965-66.

Madras in urban areas	No. of camps	Campers in each camp	Grant per camp	Total Grant
			Rs.	Rs.
One in each Royapettah Mylapore & Vepery	No. 3	60	600	1,800
One at each of the remaining 10 Distt. H.Q.	No. 10	60	600	6,000

(b) Rural Areas	No. of Camps	Campers in each camp	Grant per camp	Total Grant
3 in each 13 Distt.	No. 39	7	60	Rs. 600
				Rs. 23,400
				31,200

3. It is requested that a grant of Rs. 31,200 may kindly be sanctioned at a very early date so that the work may be started with due preparations.

4. It may be added that to avoid any duplication and get the full co-operation, guidance and help of the local, District and the State Health authorities, the venues and dates of camps will be decided with the consultation of the concerned Health Authorities.

APPENDIX No. VIII

[Reference para No. 2.25 of the Report]

MINISTRY OF HEALTH AND FAMILY PLANNING

Family Planning Orientation Camps

Question: Please state whether the Department of Community Development was consulted before the Family Planning Orientation work was actually entrusted to Bharat Sewak Samaj.

Answer: The Department of Community Development were not consulted before the work was entrusted to Bharat Sewak Samaj.

Sd/- K. N. Srivastava,
*Joint Secretary, to the
Government of India.
Ministry of Health and
Family Planning.
(Department of Family Planning).*

APPENDIX NO. IX

[Reference Para Nos. 2.65, 2.66, 2.89 & 2.95 of the Report]

MINISTRY OF INFORMATION AND BROADCASTING

Grant-in-aid to the Bharat Sevak Samaj for Plan Publicity

Introduction:—The Bharat Sevak Samaj is an all-India non-official body registered under the Societies Registration Act, 1860 and was chosen by the Planning Commission for Plan publicity with a view to securing public co-operation. In October, 1954, this Ministry took over from the Planning Commission the work connected with the grant-in-aid to the non-official voluntary organisations for Plan publicity. Since then, the Jan Jagran Vibhag of the Samaj is being given grant-in-aid annually for its activities connected with (i) Mass contact, (ii) Brochures, (iii) Bulletins, (iv) Bharat Sevak (Journal) and (v) Jan Sahyog Kendras. This Ministry stopped giving grant-in-aid to the Samaj for the last named activity (Jan Sahyog Kendras) from 1st April, 1962, Jan Sahyog activities having been merged with the Lok Karya Kshetras activities for which grant-in-aid is sanctioned by the Planning Commission.

2. During the years 1953-54 to 1958-59, grants were paid to the Samaj for specified amounts on the basis of estimated requirements to cover deficit of income over expenditure. It was however, found that without corresponding increase in activities, the annual expenditure was showing upward trend with no corresponding increase on the revenue side. The print orders were increased considerably and large stocks of the journal and other priced literature were held in hand. In the circumstances, certain restrictions on expenditure were imposed with the consent of the Samaj. The restrictions largely based on the principles enunciated by the National Advisory Committee on Public Cooperation in the Planning Commission. During the triennium commencing from 1959-60, the grant-in-aid payable to the Samaj was subject to a ceiling of 82½% of the gross expenditure, it being implied that the balance of 17½% of the gross expenditure will be met by the Samaj itself by way of a matching grant out of their revenue realised from:—

- (i) the sale proceeds of their priced publications (including journals, brochures and bulletins);

- (ii) advertisements received for their journals, etc.; and
 (iii) public donations received in cash.

During these three years the Samaj was not able to realise income equivalent to 17½% of the expenditure and, therefore, it ran into a deficit amounting to Rs. 1.34 lakhs as shown below:—

S. Description No.	1959-60	1960-61	1961-62	Total	Re- mar- ks
1. Gross ex- penditure	4,18,278·89	4,68,037·60	4,68,775·69	13,55,092·18*	
2. Income	55,099·30	45,786·81	1,02,057·23	2,02,943·34*	
3. Net expen- diture	3,63,179·59	4,22,250·79	3,66,718·46	11,52,148·84*	
4. Grant-in- aid	3,28,671·10	3,48,387·03	3,65,914·48	42,972·61*	
5. Deficit	34,508·49	73,863·76	793·98	1,09,166·23*	

*To the total amount of deficit during the three years in question viz. Rs. 1,09,166.23, may be added a sum of Rs. 24,973 having been recovered from the Samaj during March 1964 on account of excess drawal of grant-in-aid during the years 1960-61 and 1961-62. Thus the total deficit for the year 1959-60 to 1961-62 amounted to Rs. 1,34,139.23.

3. Having found that the matching grant of 17½% had proved beyond the resources of the Samaj and also in view of the representations made by the Bharat Sevak Samaj from time to time against the imposition of the condition of matching grant, the terms for grant-in-aid to the Samaj were liberalised for the year 1962-63 and they ranged from 75 to 95 per cent of the gross expenditure on the four schemes as shown below:—

Scheme	Percentage of gross expenditure
(i) Mass Contract	95% +
(ii) Brochures	75% +
(iii) Bulletins	75% +
(iv) Bharat Sevak Journal	75% +

†Subject to further ceiling prescribed in respect of each scheme, each year on the basis of budget provision.

4. The above liberalised terms of grant-in-aid were fixed in pursuance of the discussions in a meeting held in this Ministry on 6th August 1962, where representatives of the Planning Commission, Ministry of Finance and the B.S.S. were present. The B.S.S. explained their difficulties in raising the contribution of 17½% in respect of all the four activities and represented the keeping in view the voluntary services rendered by their workers, the restrictions on grant may be withdrawn. The representatives of the Planning Commission supported the plea of the Samaj and suggested that restrictions relating to matching contribution should apply to revenue yielding schemes such as B.S.S. Journal, Brochures and Bulletins and that in respect of non-revenue yielding scheme of Mass contact, the grant-in-aid to the Samaj should be 100%. That being the guiding principle, the Ministry of Finance agreed to the above mentioned terms of grant-in-aid to B.S.S. (i.e. 75 per cent to 95 per cent). These terms were extended with the concurrence of the Ministry of Finance to the succeeding years also, excepting that the grant-in-aid for Bharat Sevak Journal was reduced to 66% of the gross expenditure from the year 1963-64. During the years 1962-63 and 1963-64, the Samaj were able to raise the matching grant more than they were expected to do in respect of three schemes. There was some deficit under one scheme, viz. 'Jan Sahyog Kendras' during 1962-63. (Actually the expenditure related to the period 1961-62, when Jan Sahyog Kendras was an approved scheme of the Samaj. Due to non-receipt of accounts from the Jan Sahyog Kendras, the Samaj could not prefer their claim during the year 1961-62 and included it in their accounts for the year 1962-63. The claim not being time barred this Ministry was under an obligation to pay the grant). During 1963-64 there was deficit under Bharat Sevak Journal. Against these deficits the extra income derived by them under the other schemes could not be adjusted. If the amount of deficit incurred by the Samaj during 1962-63 and 1963-64 is also taken into account; the total deficit during 1959-60 to 1963-64 comes to Rs. 1.39 lakhs. (Deficits 1962-63—Rs. 636.62 and 1963-64—Rs. 4615.40, Total: Rs. 5,252.02). The question of an *ad hoc* grant to the Samaj for wiping off the deficit accumulated due to the imposition of the condition of matching contribution of 17½% by the B.S.S. during the years 1959-60 onwards was considered at a meeting held in this Ministry in June, 1964 and it was decided in principle to give an *ad hoc* grant to the Samaj for the purpose. The actual amount of deficit was to be worked out by the Sub-Committee of the Co-ordination Committee on Public Co-operation and thereafter the final orders of Government were to be obtained. The aforesaid

Sub-committee has recommended at the meeting held on the 5th May, 1966 that payment may be made to the Samaj for wiping out the deficit. The amount has not been paid so far and this Ministry is awaiting the submission of consolidated accounts of the Bharat Sevak Samaj when the financial position about the deficit, if any, becomes known.

5. With regard to temporary utilisation of the unspent balances, it may be stated that the provision in respect of grant-in-aid to the B.S.S. is made on the basis of estimates furnished by the Samaj and the grant is given in advance (*Vide* para 151 (1) (b) of the General Financial Rules). This is necessary to enable the B.S.S. to function as a non-official agency for Plan publicity with a view to securing public co-operation. The audited statement of accounts furnished by the Samaj, is scrutinised and the amount over-paid in the grant paid in advance is recovered from the Samaj from the next year's grant (*vide* para 151 (1) (a) of the G.F.R.). It may be that the amount overpaid is temporarily used by the Samaj towards meeting the deficit, but this happens because the Samaj ran into a heavy deficit during the years 1959-60 to 1961-62 because of imposition of the condition of matching contribution to the extent of 17½%. After it is finally decided to wipe off the deficit by an *ad hoc* grant or by appropriation of funds found surplus in other wings of the Bharat Sevak Samaj to the Jan Jagran Vibhag as would become known after the submission of consolidated accounts by them, it is hoped that the grant paid to the Samaj for a particular year would be fully utilised for Plan publicity programmes during that year and not diverted temporarily towards meeting the deficit into which the Samaj has run.

6. It may be added that at present separate percentages have been prescribed for individual schemes. The result is that the B.S.S. are unable to appropriate their extra income under one scheme against a deficit scheme/schemes. The question of fixing a minimum overall annual matching grant instead of prescribing separate percentages for individual schemes was considered by the Sub-Committee of the Co-ordination Committee on Public Cooperation. The Bharat Sevak Samaj represented that on account of drought, high prices, etc., collections from the public had not been substantial. Keeping this in view and also the fact that voluntary organisations other than Bharat Sevak Samaj to whom it is proposed to give grant-in-aid might not be able to raise a high matching contribution, the Sub-Committee has recommended that an overall matching contribution of 15% by the B.S.S. and other voluntary organisations may be fixed. The matter is under consideration. With the fixation of an overall matching contribution, the Samaj would be able to offset their

total income against the total gross expenditure and it is hoped that the organisation will not run into a deficit again. A close watch will, however, be kept by the Government.

Conditions of the Grant-in-aid:

The grant-in-aid is subject to the conditions laid down in GFR 148—51. The Samaj is required to submit half-yearly reports on all the schemes to this Ministry for scrutinising that the Plan publicity programmes are duly executed by them. The BSS have also set up a Committee under the Chairmanship of Shri Amar Nath Vidyalankar, M.P., for getting the manuscripts of the brochures, etc. to be brought out by the Samaj. Two officers of this Ministry are on the Committee. The PAC had recommended in their 34th Report (Third Lok Sabha) that the BSS may be asked to submit consolidated accounts in respect of the grants received by them from the Government and recommended the stoppage of grants till the provisions of Rule 149(3) of the GFR are fully complied with. The BSS submitted statements of consolidated accounts for the years 1962-63, 1963-64 and 1964-65 to the Planning Commission. The accounts were not complete in all respects and the Commission asked the Samaj to complete the accounts and also submit the accounts for the remaining years since the inception of the grant to the Samaj. The matter is being pursued by the Planning Commission with the B.S.S. It may, however, be mentioned that so far as the grant to the Samaj for the year 1965-66 is concerned, this had to be released by this Ministry in consultation and with the approval of the Planning Commission and the Ministry of Finance for the reasons stated below:—

(i) Government did not consider it desirable that the publicity programmes which were being implemented through the Samaj should come to a standstill.

(ii) It was feared that if no grant-in-aid was given, some 200 trained workers of the Samaj will be thrown out of employment, which would cause serious hardship to them. Copies of the relevant papers leading to the release of grant during the year 1965-66 were sent to the Lok Sabha Secretariat *vide* this Ministry's O.M. No. 1/1/66-B&A dated 18th August, 1966.

Outstanding Recoveries:

With regard to the outstanding recoveries on advertisement charges, sale proceeds of brochures, etc. amounting to Rs. 1.13 lakhs relating to the period 1959 to 1964, as shown in the audit para, it may be stated that the Bharat Sevak Samaj have intimated that these are the assets of the Samaj and are not of any consequence to the Government. According to the Samaj, in the case of advertisements,

sale of Bharat Sevak Samaj Journal (Subscriptions) and Brochures, the revenue accrued from credit issues have already been accounted for in their respective years' accounts and that the grant was sanctioned for these years after taking into account these figures of income. Other outstanding amounts shown against Bulletins, P.I.Cs., Seminars, Jan Sahyog Kendras and sundry advances represent the amounts advanced for which accounts are still awaited. These amounts were not treated as expenditure in the years in which they were advanced and, therefore, no grants have been given by the Ministry of Information and Broadcasting to cover these advances. The Bharat Sevak Samaj will claim the grant against these amounts when accounts are received from the parties concerned and adjusted as expenditure in the account. As such any amount which will become irrecoverable or for which the accounts are not presented will be a loss to Bharat Sevak Samaj and not to the Government.

The Bharat Sevak Samaj have, however, intimated that out of the outstanding recoveries of Rs. 1.13 lakhs in respect of advertisement charges and sale proceeds of brochures etc., and Rs. 5,785 in respect of advances, they have been able to effect some recoveries and they are continuing their efforts to recover or adjust the amount still outstanding.

The above mentioned statements of the Samaj have not been got certified by them by a Chartered Accountant and the Samaj have been asked to get this done. The Accountant General, Central Revenues, has also been requested to verify the correctness of the statements of Samaj at his convenience. A copy of the letter addressed by the Bharat Sevak Samaj to the Chartered Accountant is enclosed.

BHARAT SEWAK SAMAJ

Chairman:

Brij Krishan Chandiwala

Central Office, Jan Jagran Sec. 19, Theatre Communication Bldg.
Connaught Circus, NEW DELHI-1.

Dated 10-10-1966

No. JJ/AP/66.

To

M/s K. S. Gupta & Co., Chartered Acctt., Chandni Chowk, Delhi.

Subject: Audit Para No. 136 (ii) of the Audit report (Civil) 1966.

Dear Sir.

I am forwarding herewith a copy of I&B Ministry letter No. 1/29/66-P&PC dated 21-9-66 in reply to this office letter No. JJ/AP/66 dated 27-8-66.

In this office No. JJ/AP/66 dated July 16, 1966 (copy already sent to you). The Ministry was informed that all the outstanding amounts are the assets of B.S.S. because:—

- (i) Corresponding credit for all the outstanding amounts coming back as from 1959-60 on account of advertisements. B. S. Journal Subscription for Brochure has already been made to income (local collection) in the respective years when these transactions occurred.
- (ii) Advances made & which are still outstanding under the Head Bulletins, P.I.C. & J. S. Kendras or Sundry advance since 1959-60 were not accounted for an expenditure under any of the scheme but were charged to their respective suspense head under which these are still outstanding.

Will you please verify and confirm the sub-paras (i) and (ii) above, DA/1 letter.

Yours in seva,
Sd: S. SINGH,
for GENERAL SECRETARY, BSS.

Copy to:

The Under Secretary, Government of India, Ministry of I&B,
New Delhi.

APPENDIX NO. X

[Reference para No. 2:78 of the Report]

MINISTRY OF INFORMATION AND BROADCASTING

Copies of correspondence between the Ministries of Information and Broadcasting, Finance and the Planning Commission re: sanction of grants to Bharat Sevak Samaj for Janjagaran Programme

Copies of the correspondence of the I & B Ministry with the Planning Commission and the Ministry of Finance and other relevant documents leading to Government decisions relating to the release of grant-in-aid (in two instalments) to the Bharat Sevak Samaj during the year 1965-66 are attached herewith as indicated below:—

- (i) Copy of the notes exchanged between the Planning Commission and the Ministry of Finance to consider the question of the release of the first instalment of the grant-in-aid to the Bharat Sevak Samaj in the context of the P.A.C.'s recommendation relating to submission of consolidated accounts by the Bharat Sevak Samaj and release of further grant to them—(Annexure I).
- (ii) Copy of the minutes of the meeting held in the Planning Commission on 24th July 1965 regarding the release of the first instalment of the grant-in-aid to the Bharat Sevak Samaj—(Annexure II).
- (iii) Copy of the notes between the I&B Ministry and the Ministry of Finance relating to the release of the first instalment of the grant-in-aid to the Bharat Sevak Samaj—(Annexure III).
- (iv) Copy of the I&B Ministry's Order No. 1|16|65-PP dated 13th August 1965 sanctioning the first instalment—(Annexure IV).
- (v) Copy of the Planning Commission's letter No. 9(1)/66-Pub. dated 21st January 1966 to the I & B Ministry regarding release of the second instalment.—(Annexure V).
- (vi) Ministry of I&B's letter No. 1|15|65-PP dated February 4, 1966, to the Planning Commission relating to the release of the second instalment.—(Annexure VI).

- (vii) Copy of extracts from the minutes of the meeting held in the Planning Commission on February 5, 1966 regarding payment of the second instalment of the grant-in-aid to the Bharat Sevak Samaj—(Annexure VII).
- (viii) Copy of the Planning Commission's letter No. 24(7)/65-Pub. dated March 11, 1966, with enclosures, to the I & B Ministry relating to the general question of the release of the second instalment of the grant to the Samaj—(Annexure VIII).
- (ix) Copy of notes exchanged between the I&B Ministry and the Ministry of Finance relating to the sanction of the second instalment of the grant to the Samaj—(Annexure IX).
- (x) Copy of the I&B Ministry's Order No. 15/45/65-(P&PC) dated March 26, 1966 sanctioning the second instalment of the grant-in-aid to the Bharat Sevak Samaj—(Annexure X).

ANNEXURE I
PLANNING COMMISSION

(Public Corporation Division)

The Secretary, Planning Commission will take a meeting at 10.30 A.M. on Saturday the 24th July 1965, in room No. 241, Yojana Bhavan to consider the following:—

- (i) Release of the first instalment of grant-in-aid for the financial year 1965-66 to the Bharat Sevak Samaj in respect of Plan Schemes by the Planning Commission and other Central Ministries concerned. The copies of notes recorded in the Planning Commission and the Finance Ministry may kindly be seen.
- (ii) Preparation of the consolidated statement of accounts by the Bharat Sevak Samaj as recommended by the Public Accounts Committee (1964-65)—Third Lok Sabha—34th Report. Copies of notes recorded in the Planning Commission and the Finance Ministry may kindly be seen at *Annexure II*. The final proforma prescribed by the Accountant General Central Revenues for the preparation of the consolidated statement of accounts may kindly be seen at *Annexure-III*.

2. You are requested kindly to make it convenient to attend the meeting.

Sd./-

H. K. D. TANDON,
Director.

PLANNING COMMISSION

J.S. (PC)

Secretary, NAC PC

Finance Officer, NAC PC

Director (C. S.)

MINISTRY OF FINANCE

Shri T. P. Singh, Secretary

Shri D. J. Madan, Joint Secretary.

**MINISTRY OF INFORMATION &
BROADCASTING**

Shri Y. N. Varma, Joint Secretary

MINISTRY OF HEALTH

Shri Gian Prakash, Joint Secretary

DEPTT. OF SOCIAL SECURITY

Shri S. C. Sen Gupta, Joint Secretary.

A. G. C. R.

**Shri R. K. Khanna, Accountant
General.**

**Planning Commission Cir. No. 15(24)/65-Pub. dated the 22nd
July, 1965.**

Copy to:—

PS to Member (Public Cooperation)

PS to Secretary, Planning Commission.

Director (Co-ordination), Planning Commission

General Branch, Planning Commission.

PLANNING COMMISSION

The Public Accounts Committee have recommended as follows:—

“The Committee, therefore, recommend that the Planning Commission should without any further delay insist on the submission of consolidated and duly audited accounts of Bharat Sevak Samaj showing the overall financial position of the organisation for every year since it started receiving grants from the Government. The Committee further recommend that no further grants should be made till the provisions of Rule 149 (3) are fully complied with. However, a time-limit of six months may be allowed to B.S.S. for the submission of consolidated Accounts in respect of all the earlier years.”

2. The above recommendation was considered in a meeting of the sub-committee of Co-ordination Committee on Public Cooperation held on 10th May, 1965. It was decided that a *proforma* may be drawn up in which the Samaj may be asked to prepare consolidated statement of accounts. Shri T. S. Anand Deputy Accountant General of the A.G.C.R. attended this meeting. A small sub-committee of 4 persons including Shri Anand has been set up to finalise this *proforma*. It is expected that this will be done in the next few days.

3. We have now received a representation from the Bharat Sevak Samaj that while all possible efforts will be made to comply with the recommendations of the P.A.C. and G.F.R. 149 (3), the Samaj should be paid, in accordance with the prescribed procedure, the first instalment for the financial year 1965-66 in respect of the following continuing Plan schemes for which assistance is being given by the Planning Commission:

- (i) 200 Rural Lok Karya Kshetras from the Central Sector.
- (ii) 62 Urban Lok karya Kshetras (field and State Units and Central Unit) incharge of Lok Karya Kshetra programme.
- (iii) 2 Lok Karya Training Centres at Deyhi (Mehraulii) and Kerala.
- (iv) National Consumer Service.

4. The Samaj have pleaded that “the preparation of the consolidated statement of accounts will involve considerable effort both at the Central and the State level. It will take considerable time before such consolidated statement of accounts are ready. This aspect has been recognised by the P.A.C. themselves since they themselves have recommended a time of 6 months.”

5. The Samaj have separately represented to the Government that the preparation of the consolidated statements of accounts, as required in the P.A.C. Report, will involve a herculian effort. They have, therefore, suggested that each State Unit may be asked to submit its consolidated statement of accounts to the State Government concerned while the Central Office of the B.S.S. will submit its consolidated statement of accounts for all Central activities to the Planning Commission and the Central Ministries concerned and that this may be accepted as due compliance with C.F.R.149(3). This would also make the task manageable. This request is at present under examination in the Finance Ministry.

6. It is obvious that the above processing will take considerable time. If the proposal of the B.S.S. is accepted by the Finance Ministry, there will not be much difficulty in getting the consolidated statements of accounts of the Central Office of the whole. Even if it is not agreed to, the Samaj is entitled to a period of six months which is the time suggested by the P.A.C. for the submission of the consolidated statement of accounts for earlier years. If the grant is withheld for a period of 6 months, the programmes will come to a standstill. This is the last year of the Third Plan and since the scheme entrusted to the B.S.S. will be continued in the Fourth Plan, it is desirable that they should not suffer.

7. We may, therefore, agree in principle, to release the first instalment of the grant for our Plan programmes as in the previous years. This will be equivalent to the expenditure of the first 5 months.

8. The pattern of financial assistance has been approved by the Finance Ministry for all the above schemes. The Planning Commission themselves are competent to sanction it under rule 12 of the enhanced delegation of power. The payment of the first instalment, thus, falls under the delegated field. If in any scheme, a change in pattern is involved, the Finance Ministry will be consulted. The Joint Secretary, Finance Ministry, Shri Madan wrote recently to JS(PC) that items falling under the delegated field need not be referred to the Finance Ministry for their concurrence. A copy of this note, however, will be sent to the Finance Ministry for their information and record.

Sd/-
H. K. D. TANDON
18-5-65

Sd/-
R. SUBRAHMANYAM
18-5-65

Secretary NA CPC
JS(PC).

The consolidated accounts of the BSS since its inception in 1952, can never be compiled; Convener'ship has changed hands, and some of the Conveners may be no longer in this world.

The only practical proposition is what is referred to in para. 5 of the above note. It is also not fair, unless Government desire that the BSS should cease to exist, for the grant to be withheld for the period of 6 months allowed for the submission of accounts—and also to expect at the same time the activities to continue. The staff has to be paid, and they cannot just be fed with promise of everything turning out all right. I, therefore, support the proposal contained in para 7 above.

Sd./-

KRISHNA PRASADA. 19.5.

The Public Accounts Committee have recommended that the Bharat Sevak Samaj should not be paid any grant till, in compliance with General Financial Rules 149(3), they submit the consolidated statement of accounts for the body as a whole. The audited statement of accounts for individual grants have been submitted by the Samaj but this has not been considered as sufficient by the P.A.C. A period of 6 months has been allowed by the P.A.C. for the submission of accounts for earlier years. The question under consideration is whether for continuing plan schemes the first instalment, equivalent to the expenditure for the first 5 months, may be paid to the Samaj.

2. Every possible effort is being made by the Planning Commission to get the consolidated statement prepared for the Bharat Sevak Samaj as a whole. I wrote to the Accountant General Central Revenues, to indicate the proforma in which such account may be prepared. This was followed by a meeting and subsequently discussion between the Director, Public Cooperation, our Financial Adviser and the Dy. Accountant General, Shri Anand. The proforma is expected to be finalised next week. The Samaj can then be requested to prepare the consolidated statement of accounts both for the Central and the State Units.

3. It is, however, obvious that getting returns from their Units, at the States, District, Blocks and village level—the number of such units will exceed 1,000—will take some time. The Public Accounts Committee, in their report have themselves allowed a period of 6 months. Obviously, the activities of the Samaj cannot run during this period without any Government grant.

4. We may, therefore, agree in principle to release the first instalment of the grant equivalent to the expenditure for the first 5 months for the continuing Plan schemes. The Samaj, however, will be informed that the subsequent instalments will be paid only on receipt of the consolidated statement of accounts in compliance with the recommendations in the Public Accounts Committee report.

Sd./-

(K. A. P. STEVENSON)

25-5-65.

Secretary.

Normally the proposal made in para. 4 above would be the right solution. However, the P.A.C. has asked other Ministries also to take similar steps and it would be desirable if all Ministries concerned and the Planning Commission took the same action. I think it appropriate that Expenditure Department of Finance Ministry should coordinate action in this respect. If Department of Expenditure agrees, it will please convene a meeting. The advice of that Department may be obtained.

Sd/-

G. R. KAMATH

3-6-65.

M. of Finance (Deptt. of Expenditure) Shri T. P. Singh P.C. U.O. No. 24(3)/65-Pub. dated 5-6-65.

MINISTRY OF FINANCE

(Department of Expenditure)

Secretary discussed this file with me and as desired by him I have informally consulted the P.As. to the other Ministries concerned with the grants to the Bharat Sevak Samaj. These are, apart from the Planning Commission, (i) Ministry of Education and (ii) Ministry of Information and Broadcasting.

(The Ministry of Works & Housing are giving only loans and are not concerned with para. 14 of the Report of the P.A.C.)

2. The Ministry of Education are not concerned at this stage as they appear to have taken a decision on merits to discontinue grants to voluntary organisations for youth camps. The I & B Ministry are awaiting developments regarding the preparation of consolidated accounts by the B.S.S. for which the Planning Commission have taken the initiative.

3. The recommendation of the P.A.C. is that to satisfy Rule 149(3) of the G.F.R., the B.S.S. should prepare and submit consolidated accounts in respect of the earlier years. It is also suggested that a time limit of six months may be allowed to B.S.S. for this purpose. While the P.A.C. have stated that further grants should be discontinued until the provisions of the Rule 149(3) are fully complied with, it does not appear to be their intention that within the period of six months allowed to the B.S.S. such grants should be discontinued. So long as the Planning Commission are satisfied that reasonable steps have been taken to prepare the consolidated accounts, that the accounts will be available in the time prescribed by the PAC and that they will be submitted, it will not be outside the spirit of the recommendations of the P.A.C. if the Planning Commission release the grants for schemes which have to be continued. If the Planning Commission and the Ministry of I & B have to consult the F.A. in regard to such release they will be advised as above.

Secretary, Planning Commission, may see.

Sd/-
K. SANKARAN
30-6-65.

Secy. (E)

It is hoped that the note recorded after ascertaining the position informally from the Ministries and discussion with me regarding the implications of the P.A.C. recommendation will serve the purpose. No meeting need be convened for releasing the first instalment of grants to B.S.S. The Planning Commission have, however, to ensure that consolidated accounts are compiled within the stipulated time limit of six months.

Sd/-
T. P. SINGH
1-7-1965

Secretary, Planning Commission (Shri G. R. Kamat)
Min. of Fin. U.O. No. 2649-E (Coord)/65, dated 1-7-65.

We may proceed on the basis of the above advice. We should ascertain the steps taken for the preparation of the consolidated accounts within the stipulated time to ascertain that they are adequate and then sanction the grants.

Sd/-
G. R. KAMAT
3-7-1965.

As indicated by Secretary above.

Sd/-
5-7-1965.

Dir. (Pub-Coopt)

Reference Secretary's minutes on the preceding page.

2. The Bharat Sevak Samaj was asked to let us know the steps taken for the preparation of the consolidated accounts and give an assurance that the accounts would be furnished within the stipulated period. The PUC is in reply.

3. The Bharat Sevak Samaj has indicated the main steps so far taken for the compilation of the consolidated accounts. One handicap that they suffer from is that the proforma in which the accounts are to be prepared and which was referred to the office of the Accountant-General, Central, Revenues, for approval has not yet been received back. In the absence of the proforma the Samaj has not been able to go full steam in the matter. They have, however, given an assurance that the accounts would be furnished within the stipulated period after the receipt of the proforma. The implication of this seems to be that the Samaj will need six months from the date of receipt of the proforma. Considering that some delay was occurred in the finalisation of the proforma, there would appear to be justification for giving the Samaj six months from the date of receipt of the proforma.

4. We may accept the assurance of the Samaj and release the first instalment of the grant-in-aid for the schemes with which the Planning Commission is concerned. The second instalment will be released only after the receipt of the consolidated accounts.

Dir. (Pub. Coop.) may kindly see. It will be better to obtain the orders of JS(PC).

Sd./-
R. SUBRAHMANYAM
F.A. (N.A.C.P.C.)
9-7-1965

Dir. (Pub-Coop)

I discussed this matter with JS(PC) today. In view of the assurance given by the Bharat Sevak Samaj, the first instalment of the grant may be released.

2. The proforma in which the consolidated statement of account are to be prepared by the Bharat Sevak Samaj has been with the A.G.C.R./Comptroller and Auditor General for some time. It must be conceded that the work of the preparation of the accounts can be proceeded with only when this proforma is made available. The

Samaj has requested for a period of 6 months for the preparation of a consolidated statement of account from the date of the receipt of proforma (instead of 12th April, the date of release of the PAC Report, the Samaj have asked for a period of 6 months from the date of the final proforma). JC(PC) suggested that while the first instalment of the grant may be released the Finance Ministry may be apprised of the full acts as stated above.

3. A draft D.O. letter from JS(PC) to Shri Madan, Joint Secretary, Ministry of Finance, is placed below for approval. The Central Ministries of Education, I&B and health are also giving grants to the Bharat Sevak Samaj. A copy of JS (P&C)'s letter to Shri Madan may, therefore, be endorsed to the Ministries with a forwarding D.O. letter, as in the draft placed below, for their information and necessary action.

Sd./-

H. K. D. TANDON

10-7-65.

JS(PC)

1. Last saw on page 6 ante. The steps taken by the Bharat Sevak Samaj to prepare consolidated statement of accounts are outlined in DFA I.* It is unfortunate that we have not been able to get the proforma ready as yet. It is not for want of trying. Our Officers have contacted the Deputy A.G. on several occasions but the proforma has not been finalised as yet. It is expected in this week.

2. Secretary may also like to see JS Finance's note on the linked file and Secretary Finance Expenditure's minute thereon. The meeting proposed may kindly be taken by Secretary. A date and time may kindly be indicated.

Sd./-

K. A. P. STEVENSON

20-7-65.

Secretary

Sd: G. R. KAMAT

JS(PC)

Sd: Director (Pub. Coop.)

*This need not issue.

ANNEXURE II

PLANNING COMMISSION

(PUBLIC COOPERATION DIVISION)

A copy of the minutes of the meeting held in the Planning Commission on the 24th July, 1965, regarding the Bharat Sevak Samaj is enclosed.

The Planning Commission and the Central Ministries are required to take necessary action to release the first instalment of the grants to Bharat Sevak Samaj in terms of the decision contained in para. 3 of the Minutes.

Sd./-

H. K. D. TANDON

Director.

PLANNING COMMISSION

Secretary

Joint Secretary

Director (C.S.)

Financial Adviser (NACPC)

MINISTRY OF FINANCE

Shri T. P. Singh, Secretary

Shri D. J. Madan, Joint Secretary.

MINISTRY OF INFORMATION & BROADCASTING

Shri G. S. Gupta, Deputy Secretary.

MINISTRY OF HEALTH

Shri Gian Prakash, Joint Secretary.

DEPT. OF SOCIAL SECURITY

Shri K. C. Ramakrishnan, Under Secretary.

A.G.C.R./C&AG

Shri R. K. Khanna, Accountant
General.

Shri T. S. Anand, Dy. C&AG.

BHARAT SEVAK SAMAJ

Shri Krishna Prasada, Vice-Chair-
man.

Planning Commission Cir. No. 24(3)/65-Pub., dated 5-8-65.

Minutes of the meeting held on 24-7-1965

regarding the Bharat Sevak Samaj

PRESENT**Planning Commission:**

Shri G. R. Kamat, Secretary *Chairman.*

Shri K. A. P. Stevenson, *Joint Secy.*

Shri H. K. D. Tandon, Director (Pub. Coopt).

Shri A. N. Malhotra, Director (Construction Service).

Shri R. Subrahmanian, F.A. (N.ACPC).

Ministry of Finance:

Shri T. P. Singh,

Shri D. J. Madan, Jt. Secy.

A.G.C.R./Comptroller & Auditor General:

Shri R. K. Khanna, Accountant General.

Shri T. S. Anand, Dy. C&AG.

Department of Social Security:

Shri K. C. Ramakrishnan, Under Secretary.

Bharat Sevak Samaj, New Delhi:

Shri Krishna Prasada, Vice-Chairman.

The main items of the Agenda, concerning the payment of the first instalment of the grant for the financial year 1965-66 and the submission of the consolidated statement of accounts in the pro-forma prescribed by the AGCR were briefly explained. The main observations and decisions are summarised below:—

2. *Shri Krishan Prasada*.—Observed that the preparation of the consolidated accounts for the last 10-12 years, since the inception of the Samaj, would involve many practical difficulties. Old records might not be available with many of the branches and quite a number of workers incharge of the execution of the scheme had left. While information might be available in regard to the Government grants, it would be difficult to assess the people's contribution in cash and kind in respect of such scheme.

3. *Secretary, Planning Commission*.—Stated that the recommendations of the Public Accounts Committee were precise and, notwithstanding these difficulties, the Samaj should make an all-out effort to compile the accounts as required by the Public Accounts Committee. As regards the period of six months stipulated by the Public Accounts Committee, Secretary stated that this should commence from the 10th May, 1965 when the Bharat Sevak Samaj were first invited to participate in a meeting convened in this connection in the Planning Commission. On this basis, the consolidated accounts should be submitted by the Samaj to the Government by the 10th November, 1965. Subject to compliance with this condition, the first instalment of the grant for 1965-66 for the continuing approved schemes should be released immediately.

4. Regarding the difficulties mentioned by Shri Krishna Prasada, it was stated that there could, at this stage, be no question of any extension beyond November 10, 1965 of the date for the preparation of the consolidated accounts. As a practical course, however, the Samaj could, purely as an internal arrangement, prepare the consolidated accounts in two stages; in the first stage, the accounts might quickly be prepared for the last three years and submitted to Government; the accounts for the remaining years since the inception of the Samaj might be prepared in the second stage. It was felt that in this way compliance of the recommendations of the Public Accounts Committee could be effected with greater speed.

5. The suggestion that the accounts of the Central and State Units should be submitted separately to the Central Government or the State Government concerned independently and audited by

the Accountant General, Central Revenues, and the State Accountant Generals respectively, was not accepted by the AGCR. He stated that as the Samaj was one entity, the Public Accounts Committee desired that the consolidated and audited accounts of the body as a whole, covering both the Central and the State Units, should be prepared. Once such consolidated accounts become available, the A.G.C.R., would, if necessary, get the State Unit accounts audited by the State Accountant Generals concerned.

6. Agreeing with the above view both the *Planning Secretary* and *Finance Secretary* stated that the consolidated statement of accounts should be prepared by the Samaj for the Central and the State Units in the proforma prescribed by the A.G.C.R. In addition, the profit and loss Account and the Balance sheets for the commercial sections like the Construction Service should be prepared as suggested by the A.G.C.R. in his letter dated the 19th July, 1965 to the Planning Commission.

7. In the recent meeting of the General Council of the Bharat Sevak Samaj, it was suggested that to overcome the practical difficulties involved in the preparation of the consolidated statement of accounts, the Samaj might consider the desirability of getting the State Units registered separately. The suggestion, however, was not accepted by the General Council of the Samaj. The State and local branches of certain organisations like the Ramakrishna Mission, Y.M.C.A., etc. were registered separately. Yet the performance of these organisations was good and they enjoyed the esteem and confidence of the public. The *Plannig Secretary* agreed with the suggestion that the matter might be further examined whether it would be possible to suggest to the Samaj an acceptable federal constitution with affiliated State Units.

ANNEXURE III

Copy of notes exchanged between the Ministry of I. & B. and the Ministry of Finance relating to the release of the first instalment of the grant-in-aid to Bharat Sevak Samaj, recorded on file No. 1/16/65-PP of the Ministry of I. & B.

This Ministry gives grant-in-aid to the Bharat Sevak Samaj for the following of its activities:—

- (i) Mass Contact.
- (ii) Bharat Sevak (Journal).
- (iii) Brochures.
- (iv) Bulletins.

Last year, a total grant-in-aid of Rs. 4·68 lakhs was released to the Samaj. A provision of Rs. 4·80 lakhs in this regard is included in the budget grant for the current financial year, viz. 1965-66.

2. The Samaj has asked for the release of the first instalment of the grant-in-aid amounting to Rs. 2·50 lakhs for the current financial year.

3. Before the grant-in-aid is released for the current financial year, it has to be ensured that the Samaj has fulfilled the terms and conditions in respect of the grant-in-aid received by them from this Ministry during the last financial year, viz. 1964-65.

4. In accordance with the provisions of rule 140(3) of the General Financial Rules, a grantee institution is required to furnish an audited statement of the account so that the sanctioning authority could satisfy itself that the grant-in-aid is justified by the financial position of the grantee and the previous grant, if any, given to it was spent for the purpose for which it was intended. In accordance with the Government of India's Decision below rule 151, in the case of small institutions which are entirely/mainly fed by recurring grants-in-aid may be paid during a financial year, if necessary, in three instalments in the manner indicated below:—

- (i) The first instalment may be paid in the month of April itself to enable the institutions to meet their expenses for that month out of the funds voted on Account by Parliament.

- (ii) The second instalment to cover the expenses for the next five months, May to September, may be paid after the Budget has been passed.
- (iii) The final instalment may be sanctioned in the month of October or later to cover the expenses of the rest of the financial year.

It also provides that the requirements of obtaining audited statements of accounts, provided for in rule 149 (3) need not, be insisted upon for sanctioning the first two instalments, if the statements are not ready. However, such statements of accounts in respect of the previous financial year should be obtained before sanctioning the final instalment as laid down in rule 149(3). In the case of the Bharat Sewak Samaj, it has been prescribed in consultation with the Ministry of Finance that they may submit the audited statements by 31st July. Therefore, in the previous years, the Samaj had been given the first instalment of grant-in-aid for the first 5 months without asking for the audited statement of accounts. Incidentally, the Public Accounts Committee has, in its 34th Report drawn attention to the fact that under rule 149(3) of the GFR, the Samaj should have submitted *consolidated* statement of accounts for the organisation as a whole rather than the statement of accounts relating to the grant-in-aid received from the individual Ministries. The Committee has recommended that no further grant should be released to the Samaj till it submits the consolidated accounts for the previous years. The Committee has further recommended that the Samaj may be allowed a period of six months for the preparation of the consolidated accounts relating to the previous years. In this connection, the minutes of the meeting of the Sub-Committee of Public Cooperation at p. 13/c. (Flag 'A') File No. 1/15/65-PP.

5. In accordance with the terms and conditions subject to which the grant was given to the Samaj by this Ministry during the last financial year, they were required to submit half-yearly reports in respect of the various activities. While both the half-yearly reports have been received in respect of the "Bharat Sevak" (Journal), Bulletins and Brochures, no report has been received so far as "Mass Contact" activities are concerned. The Samaj was also required to submit statements of expenditure on the expiry of six weeks of the close of each half year. The said statements of expenditure are also still awaited. The Samaj has been separately requested to furnish these reports and the statements of expenditure.

6. While we may await receipt of the pending half-yearly reports and the unaudited statements of expenditure from the Samaj, and

may issue the necessary sanction for the release of first instalment of the grant-in-aid only after these reports have been received from the Samaj, necessary formalities for the release of the grant may, however, be completed so as to avoid delay in the release of the grant.

7. Separately, the Ministry of Finance have laid down that a grantee should be asked to furnish a bond with two sureties for the compliance of the conditions of the grant. As the Samaj was receiving grant-in-aid from the Planning Commission as well as from the various Ministries of the Government of India, it was felt desirable to follow a uniform procedure in this regard. Accordingly, the matter was referred to the Planning Commission for being placed before the Sub-Committee of the Co-ordination Committee of Public Co-operation. The Sub-Committee considered this matter at its meeting held on 5th February, 1965. At the said meeting, the General Secretary of the B.S.S. stated that the condition of the personal bond was not acceptable to the Samaj. The Chairman thought that this was a matter which should also be placed before the next meeting of the National Advisory Committee on Public Co-operation. The Planning Commission have since been requested to let us know the further progress made in the matter *vide* this Ministry's Office Memo. No. 1/1/64-PP, dated 9th June, 1965.

8. In accordance with the norms fixed in consultation with the Ministry of Finance, the Samaj could be given grant-in-aid as under:—

- (a) The grant will be limited to not more than 82½ per cent of the total admissible expenditure and subject to the further conditions mentioned below.
- (b) In respect of the two of the aforesaid four schemes, which essentially relate to the field activities, namely 'Mass Contact' and 'Bulletins', the headquarters expenditure (on staff, contingencies, etc.) as admissible for the purpose of grant-in-aid, will not exceed 10 per cent of the total gross expenditure, the remaining 90 per cent being actually incurred in the field. Any expenditure at the headquarters in excess of the upper limit of 10 per cent will not be admissible from Government grant.
- (c) Government's liability in the form of grant in respect of 'Bharat Sevak' journal, will be limited to Rs. 30,000 per annum. If the difference between the gross expenditure on the issue of this journal and the revenue realised therefrom in the form of advertisement charges, sale of copies,

etc., exceeds Rs. 30,000, the excess will not be admissible from Government grant."

However, on receipt of a representation from the Samaj, the question of revision of the norms is under consideration separately and the matter has been remitted to the Sub-Committee of the Co-ordination Committee of Public Co-operation in the Planning Commission.

9. Pending final decision in regard to the revision of norms, during the last two years, the grant-in-aid to the Samaj has been released on *ad hoc* basis as follows in consultation with the Ministry of Finance:—

- (i) *Mass Contact*—95 per cent of the gross expenditure.
- (ii) *Bharat Sevak*—66 per cent of the gross expenditure subject to a maximum of Rs. 50,000.
- (iii) *Brochures*—75 per cent of the gross expenditure subject to a maximum of Rs. 30,000.
- (iv) *Bulletins*—75 per cent of the gross expenditure subject to a maximum of Rs. 20,250.

Pending final decision in regard to the norms, grant-in-aid may be released to the Samaj during the year 1965-66 on the same basis as in the last year subject to the overall limitation of Rs. 4·80 lakhs for which provision has been made in the budget grant for 1965-66.

10. In view of the position stated above, it is for orders whether pending final decisions on the various points mentioned above, an *ad hoc* grant of Rs. 2 lakhs may be given to the Samaj for continuing its activities. A draft sanction is put up for approval which may be shown to the Ministry of Finance for concurrence before issue.

Sd/- SHANTI LAL.

31-5-1965.

US(P)

This is regarding the release of the first instalment of grant-in-aid amounting to Rs. 2·50 lakhs as asked for by the Bharat Sevak Samaj during the current financial year. Notes on pp. 1-4/*ante* explain the position in detail. It is for consideration whether in view of the recommendations of the P.A.C., that no further grant should be released to the Samaj till it submits the consolidated accounts of the previous years, grant should be given to the Samaj.

The Committee has further recommended that the Samaj may be allowed a period of six months for the preparation of the consolidated accounts relating to the previous years. The proformae in which the accounts are to be consolidated by the Samaj are under consideration in the Planning Commission. This was discussed in the Planning Commission in a meeting of the Sub-Committee of the Public Cooperation held on 10th May, 1965. Its minutes may kindly be seen on p. 13/c of file No. 1/15/65-PP.

2. The Ministry of Finance have laid down that a grantee should be asked to furnish a bond with two sureties for the compliance of the conditions of the grant. As the Samaj is receiving grant-in-aid from the Planning Commission as well as from the various Ministries of the Government of India, it was desirable to form a uniform procedure in this regard. The matter was, therefore, referred to the Planning Commission for being placed before the Sub-Committee of the Co-ordination Committee of Public Co-operation. The matter is still under consideration with them.

3. The Ministry of Finance may, however, kindly see and advise whether in view of the position explained on pp. 1-4/*ante*, an *ad hoc* grant of Rs. 2 lakhs may be given to the Samaj for continuing its activities as per draft sanction put up for approval.

JS(B)

Sd/- R. B. SINHA.
2/3.6.1965.

US(P)

Sd/- P. C. BHAGAT.
7-6-1965.

Ministry of Finance (E. A. Dn.).

M/I&B/u.o. No. 1/16/65-PP., dated 8th June, 1965.

MINISTRY OF FINANCE

(E.A. & E. Division)

(I&B Branch)

1. Our advice has been sought whether the first instalment of grants-in-aid amounting to Rs. 2 lakhs may be paid to the Bharat Sevak Samaj on *ad hoc* basis pending obtaining compliance to the recommendations of the Public Accounts Committee and also without their furnishing bond with two sureties as required under the existing orders. The preceding note of the Ministry of I&B will explain the case.

2. It may be mentioned that the Ministry of I&B have in the past been sanctioning grants to the Bharat Sevak Samaj on the

basis of scheme-wise audited accounts. The grants-in-aid are sanctioned by that Ministry to the Samaj for the following of its activities:—

- (i) Mass Contact.
- (ii) Bharat Sewak (Journal).
- (iii) Brochures.
- (iv) Bulletins.

The Public Accounts Committee Third Lok Sabha (1964-65) in para 14 and 32 of their report has recommended that no further grant should be made to the Samaj till it submits the consolidated accounts for the previous years. The Committee has further recommended that the Samaj may be allowed a period of six months for the preparation of consolidated accounts relating to the previous years. The compliance of these requirements of the P.A.C. have not been obtained by the I&B Ministry as, it is stated, that the *proforma* in which accounts are to be consolidated by the Samaj, is under consideration in the Planning Commission. As regards furnishing of a bond with two sureties the Samaj it is stated has not accepted this condition. However, the matter is stated to be under consideration of the Sub-Committee of Co-ordination Committee of Public Cooperation.

3. It would be seen that the Ministry of I&B have not clarified whether the Samaj was specifically asked to submit the consolidated accounts for the previous years in terms of the recommendations of the P.A.C. and whether the period of 6 months suggested by the P.A.C. has since lapsed. Obtaining of the consolidated statement of accounts of the Samaj pertaining to the previous years and also a bond with two sureties are the important conditions which can hardly be overlooked specially in view of the recommendations of the P.A.C. Department of the Central Government are competent to sanction grants-in-aid in accordance with the Rules and Principles prescribed with the previous consent of the Finance Ministry subject to the observance of various rules in G.F.R. as amended from time to time. Thus the Ministry of I&B are competent to take decision on the subject themselves. However, we, as Associated Finance, may suggest that it would not be advisable to sanction grants-in-aid without obtaining compliance to various rules and conditions prescribed in this behalf.

We think it is not advisable to sanction on *ad-hoc* grant-in-aid to the Bharat Sewak Samaj till the requirements of the various observations of the P.A.C. are met.

2. We are not aware whether there would be any loss to Government if the proposed grant-in-aid is not paid now.

Sd/- SANTOKH SINGH BHATIA.
18-6-1965.

Ministry of I&B/N/R.

Min. of Fin. (E. A. Divn) U.O.No. 2388 I. & B. F. S./65, dated
18th June, 1965.

MINISTRY OF I. & B.

Reference Finance Ministry's u.o. note dated 18-6-1965 above.

2. Attention of that Ministry may be invited to S. No. 4 of Appendix XLVIII of the 34th Report of the Public Accounts Committee which relates to the recommendation of the Committee in regard to the submission of consolidated accounts by the B.S.S. under rule 149(3) of the General Financial Rules. As indicated therein, this recommendation calls for action by the Planning Commission and the Ministry of Finance. So far as the Planning Commission is concerned, they have already initiated action by remitting the matter to the Sub-Committee of the Co-ordination Committee on Public Co-operation. It has already been explained that the Sub-Committee has since held a meeting for considering the various proformas in which the consolidated accounts should be prepared by the B.S.S. The Ministry of Finance is also represented on the said Sub-Committee.

3. The P.A.C. has also recommended that the Samaj should not be given any more grants till it submits the consolidated accounts. The Committee has further recommended that the Samaj may be allowed a period of six months for preparing consolidated accounts in respect of the grants received by it during the previous years. Giving of this period of six months would not carry any meaning if meanwhile the grant is withheld by Government resulting in the stoppage of the activities of the Samaj in the various fields. It was in this context that advice of the Ministry of Finance was sought whether the first instalment of the grant-in-aid to the Samaj for the current financial year may be released.

4. Likewise, the execution of a bond by the Samaj, with two sureties, is a matter which concerns not only the Ministry of I. & B.,

but also other Ministries e.g., Health, Education, etc., who give grant-in-aid to the B.S.S. Thus it is a matter which requires an overall consideration by the Ministry of Finance as the central authority who has prescribed the execution of a surety bond by a grantee receiving grant-in-aid from Government.

5. In view of the position explained above, the Ministry of Finance (E. A. Division) may like to reconsider the matter in consultation with their Establishment Division.

Sd/- SHANTI LAL.

21-6-1965.

Sd/- R. B. SINHA.

22-6-1965.

US(P).

Min. of Fin (E. A. & E. Dvn).

Ministry of I. & B. u.o. No. 1/16/65-PP, dated 22nd June, 1965.

MINISTRY OF FINANCE

(E.A. & E. Division)

The Planning Commission are considering, in consultation with the Ministry of Finance, a suggestion that pending the preparation of the consolidated accounts by the Bharat Sevak Samaj, the first instalment of the grant-in-aid for 1965-66 should be released for continuing Plan schemes. The I. & B. Ministry are advised to wait for a decision in the matter.

Sd/- SANTOKH SINGH BHATIA.

26-5-1965.

Ministry of I. & B.

Min. of Fin. (E.A. Div.) U.O. No. 2604/I&B F.S./65, dated 26th June, 1965.

US(P) may kindly see AFA's note above for information.

Sd/- SHANTI LAL.

28-6-1965.

US(P).

Sd/- R. B. SINHA.

28-6-1965.

(S. No. 2 (Receipt))

We may await decision in the matter as advised by the Ministry of Finance in their note above. Submitted for information.

It'd. Illegible.

20-7-1965.

Sd/- SHANTI LAL.

20-7-1965.

Sri Mal.

MINISTRY OF I. & B.

Reference Finance Ministry's u.o. note date 26th June, 1965 on prepage.

2. It has since been decided by the Planning Commission in consultation with the Ministry of Finance that there is no objection to the release of first instalment of grant-in-aid to the Bharat Sewak Samaj for the six months' period allowed by the Public Accounts Committee for the submission of consolidated accounts by the Samaj. In this connection, the Ministry of Finance's u.o. No. 2549-E (Coord) / 65, dated 1st July, 1965 on page 35/c. of file No. 1/15/65-PP, placed below on flag 'A' may kindly be seen. In view thereof, we may also release the first instalment of grant-in-aid amounting to Rs. 2 lakhs as already proposed *vide* this Ministry's u.o. note dated 8th June, 1965 on page 5/*ante*.

3. It may be mentioned in this connection with reference to para. 4 of this Ministry's u.o. note dated 22nd June, 1965 on p. 5/*ante* that in accordance with the latest instructions issued by the Ministry of Finance *vide* their office memorandum No. F. 14(1) E.II (A) / 64, dated 23rd June, 1965, the Bharat Sewak Samaj is not required to execute a bond with two sureties.

4. Since the question of norms for grant-in-aid to the Bharat Sevak Samaj by this Ministry have not yet been finalised as explained in paras. 8-9 of office note dated 31st May, 1965 on page 3-4/*ante*, concurrence of the Ministry of Finance may be obtained to the issue of the draft order placed on the file for the release of first instalment of grant-in-aid amounting to Rs. 2 lakhs.

Sd/- SHANTI LAL.

30-7-1965.

DS(F)

Sd/- G. S. GUPTA.

3-8-1965.

JS(B)

DS(F) Sd/- G. S. Gupta.

4-8-1965.

Sd/- P. C. BHAGAT.

4-8-1965.

PP

R/Min. of Finance (E. A. Division) (Shri Santokh Singh Bhatia).

Min. of I&B U.O. No. 1(16)/65-PP, dated 5th August, 1965.

MINISTRY OF FINANCE

(E.A. & E. Division)

(I. & B. Branch)

We last saw this case on 26th June, 1965 *vide* note at page 9/*ante*.

2. Our concurrence is required to the payment of 1st instalment of Rs. 2 lakhs of grants-in-aid on *ad hoc* basis to Bharat Sevak Samaj during 1965-66. It is stated that our concurrence is necessary as the question of norms for the grants-in-aid to B.S.S. have not been finalised by the Min. of I. & B. It is also stated that the question of revision of norms is under consideration separately and the matter has been remitted to the Sub-Committee of Co-ordination Committee of Public Co-operation in the Planning Commission.

3. It may be mentioned that the payment of 1st instalment of grants-in-aid need not depend on any decision on the norms under consideration of the Sub-Committee. If the Min. of I&B have determined the quantum of grants-in-aid to be given to the B.S.S. during the current year, the first instalment may be paid to them, of course after satisfying all other conditions, by the Min. of I&B under their own powers on the pattern already approved by us. However, the payment of further instalment will be regulated on the basis of decision arrived at, if any, on the recommendation of the Sub-Committee referred to above.

4. The Ministry of I&B may kindly see.

Sd/- SANTOKH SINGH BHATIA.

11-8-1965.

It'd. Illegible.

9-8-1965.

It'd. Illegible.

9-8-1965.

US (I&B).

Min. of I&B N/R.

Min. of Fin. (E.A. Div.) U.O. No. 3232 I&B/FS. 65; dated 11th August, 1965.

MINISTRY OF I. & B.

The Ministry of Finance have advised that the first instalment of the grant-in-aid to the B.S.S. for the current financial year *i.e.*, 1965-66 may be sanctioned by this Ministry under its own powers 2527 (Aii) LS—17.

on the basis of the norms approved by the Ministry of Finance *vide* this Ministry's letter No. 1/17/62-PP dated 15th April, 1963. It may be mentioned that so far as the norms of grant-in-aid to the B.S.S. are concerned, they were subsequently modified in consultation with the Ministry of Finance *vide* their u.o. No. 358 I & B F.S/63 dated 16th October, 1963, subject, however, to the stipulation that the position would be reviewed in the next year. Unfortunately, the review has not yet been finalised and the matter is still remitted to the Sub-Committee of the co-ordination Committee on Public Co-operation in the Planning Commission. Release of grant-in-aid to the Samaj during the current financial year on the basis of the norms applicable up to 1962-63 is likely to disturb the present basis of the working of the Plan Publicity schemes of the Samaj, which is in vogue on provisionally agreed basis. I explained this difficulty to A.F.A. who has kindly agreed to reconsider. DS(F) may kindly see these papers before they are again referred to the Ministry of Finance. The draft sanction has been slightly modified so that it could be issued by this Ministry under its own powers, subject to the Ministry of Finance agreeing to the continuance of the last year's norms on provisional basis.

Sd/- SHANTI LAL.
12-8-1965..

G. S. GUPTA.
12-8-1965..

R/Ministry of Finance (E.A. Dvn) (Shri Santokh Singh Bhatia)
Min. of I & B. U.O. No. 1/16/65-PP dated 12.8.65.

FINANCE

(I & B Branch)

(note from p. 11/ante.)

We may agree to the payment of Grant-in-aid of Rs. 2 lakhs to the B.S.S. on the same basis, as approved by us last year, on an *ad hoc* basis. The sanction as proposed by the Min. of I & B may issue..

Sd: illegible
12.8.65

Sd: Santokh Singh Bhatia.
13.8.65..

US (I & B)

Min. of I&B N/R.

Min. of Fin. (E.A. Div) U.O. No. 3328 I&B F.S./65, dated 13-8-65.

ANNEXURE IV

No. 1/16/65-PP

GOVERNMENT OF INDIA

MINISTRY OF INFORMATION AND BROADCASTING

New Delhi-1, the 13th August, 1965.

ORDER

SUBJECT:—Grant-in-aid to the Jan Jagran Vibhag of the Bharat Sevak Samaj for the year 1965-66.

Sanction of the President is hereby accorded under rule 12 of the Delegation of Financial Powers Rules, to the payment of grant-in-aid of Rs. 2,00,000/- (Rupees two lakhs only) to the Jan Jagran Vibhag of the Bharat Sevak Samaj, New Delhi, by way of the first instalment of the recurring annual grant-in-aid, in connection with the execution of the Plan Publicity Schemes already approved by the Ministry of Information and Broadcasting.

2. The grant-in-aid will be subject to the basic conditions and stipulations laid down in rules 148 to 151 of the General Financial Rules, 1963, as well as other specific conditions enumerated in the Annexure hereto attached. (Enclosure).

4. It is certified that the payment of this grant-in-aid is in accordance with the principles prescribed with the previous consent of the Ministry of Finance.

4. The grant will be drawn direct from the Accountant General, Central Revenues, New Delhi, on production of a bill in the form T.R. 42, duly signed by the General Secretary, Bharat Sevak Samaj, and countersigned by the undersigned. The bill to be sent by the Samaj for counter-signature should be accompanied by the undertaking that the conditions underlying the grant are acceptable to them and they also agree to maintain the register prescribed in para. 8 thereof.

5. The Samaj have not furnished the audited accounts in respect of the grant-in-aid sanctioned to them during the year 1964-65. This first instalment of grant-in-aid has been sanctioned in terms of Ministry of Finance's Office Memorandum No. 11(6)-E.II(A)/61 dated the 14th March, 1961. The second and final instalments of

grant-in-aid will be sanctioned only after the Bharat Sevak Samaj have furnished the audited accounts for the year 1964-65.

6. The expenditure involved is debitable to the head "71-C-Miscellaneous—C.2—Grants-in-aid, Contributions, etc. (Non-Plan)—Social Welfare Agencies" for the year 1965-66.

Sd: G. S. GUPTA,

Deputy Secretary to the Government of India.

Copy to:—

- (1) The Accountant General, Central Revenues, New Delhi.
- (2) The Ministry of Finance (E.A. Division), New Delhi (with one spare copy).
- (3) The General Secretary, Bharat Sevak Samaj, Central Office, Theatre Communication Building, Connaught Circus, New Delhi, (for information and necessary action with reference to their letter No. JJ/GA/1(4)-GT/65-66, dated the 9th April, 1965.
- (4) The Secretary, Jan Jagran Vibhag, 17-Theatre Communication Building, Connaught Circus, New Delhi (for information).
- (5) The Planning Commission, New Delhi.
- (6) The Ministry of Community Development & Co-operation (Department of Community Development) New Delhi.
- (7) The Prime Minister's Secretariat, New Delhi.
- (8) The Secretary, Central Social Welfare Board, New Delhi.
- (9) The Director, Publications Division, Old Secretariat, Delhi.
- (10) Publications Section.
- (11) P. S. to Minister.
- (12) P. S. to Dy. Minister.
- (13) File No 1(13)/64-PP.

Sd/- G. S. GUPTA,

Deputy Secretary to the Government of India

Enclosure to Annexure IV

Conditions and stipulations for the payment of the Ministry of Information and Broadcasting's grant-in-aid to the Jan Jagran Vibhag of Bharat Sevak Samaj, for the year 1965-66.

(1) The grant-in-aid will be applied to cover expenditure on the following four approved schemes, viz.:—

- (i) Mass Contact work
- (ii) Publication of 'Bharat Sevak' journal.
(in English and Hindi)
- (iii) Publication of brochures.
- (iv) Publication of bulletins.

(2) The norms of expenditure on the above mentioned schemes will be as follows:—

Sl. No.	Item	Norms of expenditure
---------	------	----------------------

(I) MASS CONTACT

A—Establishment

- (1) Pradesh Organising Secretary Rs. 200—250 p.m.
- (2) Zonal Organising Secretary (one in each Zone consisting of a number of States). Rs. 300 p.m.
- (3) District Information Organiser (one in each district taken up by the Bharat Sevak Samaj for intensive work). Rs. 120—5—150 p.m.
- (4) Other miscellaneous headquarters expenditure, including T.A. and D.A., office rent, telephone, stationery post and telegraph, repair of furniture, audit fee, salaries of other staff, etc.

B—Seminars

- 1 Seminars at State level Not exceeding Rs. 1,000 for each seminar.
- 2 Study camps at District level Not exceeding Rs. 600 for each Study Camp.
- 3 Study Camps at Block level Not exceeding Rs. 300 for each Camp.

C—Plant Information Centres

- | | | |
|---|--|--|
| 1 | Central Plan Information Centre at New Delhi. | Not exceeding Rs. 10,000 per year. |
| 2 | Plan Information Centres in Districts selected for intensive work. | Not exceeding Rs. 700 per Centre per year. |

D—*Training Camp* (To be held once a year) Not exceeding Rs. 10,000 per year.

E—*Purchase of Equipment, etc.*

According to requirements

(II) PUBLICATION OF BHARAT SEVAK JOURNAL IN ENGLISH & HINDI

- (1) *Bharat Sevak* (English) (Monthly)
 (2) *Bharat Sevak* (Hindi) (Monthly)

(III) PUBLICATION OF BROCHURES

Not more than 20 brochures in a year.

(IV) PUBLICATION OF BULLETINS

One bulletin in each of the Regional languages of the country. In special cases, a bulletin may be brought out in a language e.g. Konkani which has not been given the status of the regional language.

- 3 For the year 1965-66, the grant on the above-mentioned schemes will be provisionally limited to the ceilings given below:—

- | | | |
|---|---|--|
| (i) <i>Mass Contact</i> : 95% of the gross expenditure subject to a maximum of Rs. 3,79,750.
(ii) <i>Bharat Sevak</i> : 66% of the gross expenditure subject to a maximum of Rs. 50,000.
(iii) <i>Brochures</i> : 75% of the gross expenditure subject to a maximum of Rs. 30,000
(iv) <i>Bulletins</i> : 75% of the gross expenditure subject to the maximum of Rs. 20,250. | } | Subject to the condition that the formula which may be finally adopted for the payment of the grant-in-aid for the year 1965-66 will be applicable to the grant as a whole for the year 1965-66. |
|---|---|--|

(4) Every endeavour should be made to clear the unused stocks of priced 'Brochures' and 'Bulletins' issued by the Samaj.

(5) Proposal for sponsoring any new scheme or variation in any of the aforesaid approved schemes or the principles underlying therein, will need the prior approval of the Ministry of Information and Broadcasting.

(6) The Samaja's activities in this behalf will not overlap with the corresponding activities of Government. For instance, the Samaj's publications will be such as are not covered already by the Publications Division of the Ministry of Information & Broadcasting.

(7) The funds of Jan Jagran Vibhag will not be used for party, political or anti-government activities. If it is found that this has been done, future grants will be withheld and those already paid recovered.

(8) The equipment purchased with the aid of Government grant vests in Government. The Samaj will be required to maintain an audited record of the assets acquired wholly or substantially out of Government grants received from the year 1953-54 onwards. Such assets will not be disposed of, encumbered or utilised for purposes other than those for which the grant is sanctioned without prior approval of Government. For this purpose, the Samaj will give an undertaking that they agree to be governed by the conditions of the grants which result in the creation or acquisition of permanent or semi-permanent assets. Further the Samaj will maintain a register (in the proforma enclosed) for the permanent and semi-permanent assets acquired wholly or mainly out of Government grants. The register should be maintained by the Samaj separately in respect of each sanctioning authority and a copy thereof furnished to the Ministry annually with the audited accounts.

(9) The Bharat Sevak Samaj will submit a statement, duly attested by the Auditors, along with the audited accounts specifying clearly that they were not sanctioned grants-in-aid for the same purpose by another Department of the Central Government during the period to which the grants relates.

(10) The Jan Jagran Vibhag will facilitate the occasional visits of the officers of the Ministry of Information & Broadcasting and consider their suggestions for the progressive working of the aided schemes.

(11) The Bharat Sevak Samaj, will send half-yearly progress reports on each item, as well as statements of actual expenditure based on departmental figures, within a period of not more than six weeks from the expiry of the half-year concerned. This will be followed up by an audited balance sheet showing receipts and expenditure for the year 1965-66 to be sent to the Ministry not later than the 31st July, 1966. The statement should indicate separately the details of expenditure (recurring and non-recurring) at the headquarters and in the field as well as receipts, pertaining to each of

the aforesaid four schemes. It should also be accompanied by the certificates etc. duly attested by the Auditors, in terms of the foregoing conditions, including a certificate to the effect that the ceilings of norms and expenditure laid down in para 3 above have not been exceeded.

(12) The unspent balance of the grant, if any, will be refunded to Government in cash.

(13) The accounts of the Jan Jagran Vibhag of Bharat Sevak Samaj will be open to a test check by the Comptroller and Auditor General of India, at his discretion.

REGISTER OF ASSETS ACQUIRED WHOLLY OR SUBSTANTIALLY OUT OF GOVERNMENT GRANTS
(To be maintained by the grantee Institutions)

Sanctioning Authority.....

Sl. No.	Name of the Grantee Institution	Name of the Grantee Institution		Whether any condition regarding the right of ownership of Govts. in the property or other assets acquired out of the grant was incorporated in the grant-in-aid sanctioned		Particulars of assets actually created or acquired	Value of the Assets as on
	No. & date of sanction	Amount of sanctioned grant	Brief purpose of the grant				
1	2	3	4	5	6	7	8
Purpose for which utilised at present	Encumbered or not	Reasons, if encumbered	Disposed of or not	Reasons and authority, if any, for disposal	Amount realised on disposal	Remarks	
9	10	11	12	13	14	15	

NOTE.—(1) A separate proforma should be maintained in respect of each sanctioning authority.

(2) A copy of this proforma should be submitted annually to the sanctioning authority.

ANNEXURE V

H. K. D. TANDON

DIRECTOR (Public Cooperation)

No. 9(1)/66-Pub.

PLANNING COMMISSION,

NEW DELHI

January 21, 1966.

My dear Shri Govil,

In the meeting held on 17th January, 1966, in the Planning Commission it was agreed that the Central Ministries concerned will kindly check up whether the consolidated statement of accounts submitted by the Bharat Sevak Samaj satisfy the conditions laid down in the 34th Report of the Public Accounts Committee and also the requirements of GFR 149(3). It is requested that this checking may kindly be done so far as the grant of your Ministry is concerned. The figures of grants given by your Ministry may also kindly be checked up.

2. Major Ramachandra, General Secretary of the Bharat Sevak Samaj has kindly agreed to depute their Finance and Accounts officer to assist in the checking of these figures. You are requested to get in touch with him, (Tel. No. 47186) when he will arrange to send them on some mutually convenient date and time.

3. The question of payment of the second instalment is being considered by the Planning Commission in consultation with Finance Secretary. If necessary, a meeting will be convened for the same purpose.

Yours sincerely,

Sd/- **H. K. D. TANDON.**

Shri R. K. Govil,

Under Secretary,

Ministry of I & B,

New Delhi.

ANNEXURE VI

1/15/65-PP.

GOVERNMENT OF INDIA
MINISTRY OF
INFORMATION AND BROADCASTING

February 4, 1966.

Dear Shri Tandon,

Please refer to your d.o. letter No. 9(1)/66-Pub., dated the 21st January 1966 regarding the statement of accounts submitted by the Bharat Sevak Samaj.

2. In their 34th Report (Third Lok Sabha) the Public Accounts Committee have observed that the Bharat Sevak Samaj should submit the consolidated accounts, duly audited, right from the year it started receiving grant-in-aid from the Government. Obviously, this requirement of the P.A.C. is not complied with by the submission of the accounts by the Samaj for the last three years only. The Planning Commission might like to pursue the matter further with the Samaj or may seek relaxation of the P.A.C. in the matter, in consultation with the Ministry of Finance, in view of the inability expressed by the Samaj *vide* their letter No. BSS/consolidated/65, dated the 6th January 1966 addressed to the Planning Commission. With regard to the satisfaction of the provisions contained in G.F.R. 149 (3) I am to say that we are satisfied in so far as payment of grant-in-aid by this Ministry for the aforesaid three years is concerned. The figures of grants given in the statement of consolidated accounts for the year 1962-63, 1963-64 and 1964-65 relating to this Ministry have been checked and found correct.

Yours sincerely,

Sd/- R. K. GOVIL.

Shri H. K. D. TANDON,
Director (Public Cooperation),
Planning Commission
New Delhi

ANNEXURE VII
PLANNING COMMISSION
(PUBLIC COOPERATION DIVISION)

A copy of the minutes of the meeting held in the Planning Commission, on 5-2-1966, to consider the consolidated statement of accounts of the Bharat Sevak Samaj and the release of the second instalment for the financial year 1965-66, is circulated herewith.

Sd/-, H. K. D. TANDON,
Director (Public Cooperation).

Planning Commission

Shri Krishna Prasada
Shri K. A. P. Stevenson
Shri A. N. Malhotra
Shri R. Subrahmaniam

Ministry of Finance

Shri T. P. Singh
Shri K. P. Soni

Deptt. of Social Security

Shri K. V. Ramakrishnan

Ministry of information & Broadcasting

Shri S. N. Pandita.

Accountant General, Central Revenues,

Shri S. L. Malhotra
Shri A. S. Mohindra

Central Social Welfare Board

Shri K. Nath
Shri B. N. Dhar

Ministry of Health

Shri K. N. Srivastava
Shri N. Banerjee

Planning Commission No. 24(7)/65-Pub., dated 16-2-1966.

PLANNING COMMISSION
(PUBLIC COOPERATION DIVISION)

Minutes of the meeting held on 5-2-1966 regarding the payments of the second instalment to the Bharat Sevak Samaj for the financial year 1965-66.

PRESENT:

Planning Commission

1. Shri G. R. Kamat, Secretary—Chairman.
2. Shri Krishna Prasada, Secy., NACPC.
3. Shri H. K. D. Tandon, Director, Public Cooperation.
4. Shri A. N. Malhotra, Director, Construction Service.
5. Shri R. Subrahmaniam, Finance Officer, NACPC.

Ministry of Finance

1. Shri T. P. Singh, Secy.
2. Shri K. P. Soni, Dy. Secy.

Ministry of Information and Broadcasting

1. Shri S. N. Pandita, Dy. Secretary.

Ministry of Health

1. Shri K. N. Srivastava, Joint Secy.
2. Dr. H. Banerjee, Asstt. Director (Family Planning).

Department of Social Security

1. Shri K. V. Ramakrishnan, Under Secy.

Central Social Welfare Board

1. Shri K. Nath, Secy.
2. Shri B. N. Dhar, Administrative Officer.

Accountant General, Central Revenues

1. Shri S. L. Malhotra, Deputy Accountant General.
2. Shri A. S. Mohindra, Assistant Accountant General.

* * * * *

Payment of the second instalment:

6. The Samaj had requested for the immediate payment of the second instalment of the grant. A large number of their workers had not received their pay for the last several months. If the Samaj would fill up the gaps in their consolidated accounts, as suggested above, a report should come within a week regarding the date by when the consolidated accounts for the three years under reference, with the gaps duly filled up, would be submitted.

On receipt of this report, the final decision as to the release of further instalment of the grants would be taken by the Planning Secretary and the Finance Secretary.

ANNEXURE VIII

No. 24 (7) | 65-Pub.

**PLANNING COMMISSION
NEW DELHI**

March 11, 1966.

**H. K. D. Tandon,
Director (Public Cooperation).**

My dear Pandita,

I enclose extracts from the Planning Commission file on the general question of release of the second instalment of grants to the Bharat Sevak Samaj for the current financial year.

2. In pursuance of this decision the Planning Commission have decided to release immediately 25 per cent of the overall amount of the sanctioned grant for the current financial year, for each of their Plan programmes.

3. The question of releasing the balance of the admissible grant for the current financial year is being referred to the Finance Ministry once again for their approval. A copy of our communication to the Finance Ministry will be endorsed to the Ministry of Information & Broadcasting.

Yours sincerely,

Sd/- H. K. D. TANDON..

**Shri S. N. Pandita,
Deputy Secretary,
Ministry of I & B,
New Delhi.**

The Planning Commission have since furnished a further report about the progress made by the Bharat Sevak Samaj in reconciliation of the accounts *vide* Shri Tandon's note dated 25th February, 1966. It has been stated therein that the Bharat Sevak Samaj have already furnished consolidated accounts of the expenditure of Rs. 115.44 lakhs and the 77 accounts approximately totally to a round figure of Rs. 5.

lakhs which have very recently been received have yet to be reconciled and consolidated in the overall accounts. The Additional Secretary (C) desired to know whether the figure of Rs. 120.44 lakhs (Rs. 115.44 plus Rs. 5 lakhs) represents the entire amount that has to be accounted for and how this figure has been arrived at. The Planning Commission were contacted in the matter and the position has been explained by them in Director, Public Cooperation's note dated 3rd March, 1966. The figure of Rs. 115.44 lakhs represents the sum total of consolidated accounts as certified by the Chartered Accountant for the years 1962-63, 1963-64 and 1964-65. The amount of Rs. 5 lakhs represents the round sum of the pending 77 accounts as intimated by the management of the Bharat Sevak Samaj. It cannot, therefore, be taken that the above amount of Rs. 120.44 lakhs would represent the entire amount to be accounted for. In fact, as mentioned in Director, Public Cooperation's note, the Samaj have asked their Pradesh Units to furnish a certificate that the accounts furnished by them are complete. This shows that the whole position is still in a fluid state. The above amount of Rs. 120.44 lakhs may at the best be an approximate figure.

2. Apart from reconciliation of the discrepancies in the consolidated accounts already submitted, the position with regard to the pending accounts has also yet to be clarified by the Samaj. In addition consolidated accounts for the earlier years have also to be prepared.

3. As per the decision taken in the meeting on 24th July, 1965, the first instalment of grant representing 50% of the total amount (5 months' requirements) was released to the Samaj. Even taking into account the carry over cash balances from last year's accounts, the above amount could have at the best carried them up to October/November, 1965. If no further grant is released, this would lead to stoppage of field work in some of the units and as already mentioned earlier, disengagement of quite a large number of staff. The matter was discussed with Additional Secretary (C) last evening. Since efforts have been made by the Bharat Sevak Samaj to reconcile the accounts for the past three financial years, we may agree as a special case to give another opportunity to the Samaj for the completion of the accounting work within another 3 months i.e. up to 31st May, 1966. At this stage, the second instalment representing 25% of the overall amount for the current year (3 months' requirements) may be released. In the meantime, the Samaj may be advised to complete the entire accounting work by the due date to the satisfaction of the

Audit. Unless this is done, no further grant would be released. Submitted for orders.

Sd/- K. P. SONI
4-3-66.

Addl. Secy. (C).

Min. of Finance U.O. No. 1658/66 dated 4/3/66.

The foregoing note has been written after discussion with me. Though accounts have been furnished for Rs. 114 lakhs, there is no definite authoritative statement about the magnitude of the balance of the amount for which accounts are yet to be submitted. Even in the accounts already furnished there are some deficiencies. However, to postpone all further payment till all the accounts are submitted, may put the organisation into insurmountable difficulty. The compromise solution suggested at 'X' above may, therefore, be adopted.

Sd. V. V. CHARI
4-3-66.

Secy. (E).

Sd. T. P. SINGH
5-3-66.

Secretary, Planning Commission.

Min. of Finance U.O. No. 1658 M/F 66 dated 9-3-1966.

ANNEXURE IX

Copy of the notes exchanged between the Ministry of I. & B. and the Ministry of Finance relating to the sanction of the second instalment of the grant-in-aid to the Bharat Sevak Samaj, recorded on File No. 15 (45)/65-PP (P&PC) Vol. I of the Ministry of I. & B.

It may be recalled that the PAC had recommended in its 34th report that the Samaj should not be given any more grants till it submits the consolidated accounts. The Committee had further recommended that the Samaj may be allowed a period of six months for preparing consolidated accounts in respect of the grants received by it during the previous years. The question of releasing first instalment of grant-in-aid to the Bharat Sevak Samaj was decided by the Planning Commission in consultation with the Ministry of Finance. On the same analogy we also decided to release first instalment of the grant of Rs. 2 lakhs on an *ad hoc* basis to the Samaj with the concurrence of the Ministry of Finance.

2. Subsequently, the Bharat Sevak Samaj submitted the consolidated accounts for the year 1962-63, 1963-64 and 1964-65. These accounts were examined in the Planning Commission in consultation with the Audit and the Ministry of Finance but were not found complete. In Januray, 1966, the Planning Commission asked us to check the figures of grant etc. relating to this Ministry indicated in the consolidated accounts and the Commission also intimated to us that the question of payment of second instalment was being considered by them in consultation with the Ministry of Finance.

3. A letter has now been received from the Planning Commission with which extracts from their file on the general question of release of the second instalment of grants to the Samaj for the current financial year have been enclosed. In pursuance of the decision contained in the said file, the Planning Commission have decided to release 25 per cent of the overall amount of the sanctioned grant for the current financial year, for each of their Plan programmes. They have further stated that the question of releasing the balance of the admissible grant for the current financial year is being referred to the Finance Ministry for their approval. It will be observed that the Planning Commission have communicated to us only their decision to release 25 per cent of the overall amount of the sanctioned grant for the current financial year as a second

instalment of grants to the B.S.S. Although this cannot be strictly construed as a directive from the Planning Commission to this Ministry to act likewise, but, in all probability, this decision taken by them in consultation with the Ministry of Finance, should apply to us also. In this connection, it may be stated that we had made a provision of Rs. 4.80 lakhs in the current financial year for payment of grant-in-aid to the B.S.S. Although we had restricted our Revised Estimates, in so far as grants to the Samaj is concerned, to Rs. 2 lakhs (the amount having already been paid to them), it is permissible to release the grant to the Samaj to the extent of sanctioned budget grant for the current financial year from within the sanctioned budget grant of the Ministry as a whole. The 25 per cent of the overall sanctioned grant comes to Rs. 120 lakhs which could be paid to the Samaj as a second instalment as per decision above. It may be mentioned here that the audited accounts in respect of the grant paid to the Samaj for the year 1964-65 have been received and it has been found that as against the sanctioned grant of Rs. 4.68 lakhs for the said year the Samaj is entitled to a grant of Rs. 3,15,742. The amount overpaid to the Samaj during the last year comes to Rs. 1,52,258. In addition to this, a sum of Rs. 488 is recoverable from them being the sale proceeds of old newspapers. The total amount thus recoverable from the Samaj from the last year's account comes to Rs. 1,52,746. According to the provisions contained in the GFR, this over payment has to be taken into account before making payment to them during the current financial year. In that case nothing is payable to the Samaj as the amount recoverable from them is more than the amount due to them as a second instalment.

4. It may, however, be mentioned that from the letter now received from the Samaj, it will be seen that they have estimated an expenditure (gross) of Rs. 5,09,744 for the current financial year. The figures of actual gross expenditure during the last three years as also the grant-in-aid admissible are given below:—

	1962-63	1963-64	1964-65
	Rs.	Rs.	Rs.
Gross expenditure	4,46,343	4,04,589	4,12,195
Grant admissible	3,22,743	3,33,736	3,15,742

On the above basis, the average gross expenditure during the last three years comes to Rs. 4,21,042 and the average grant admissible

to Rs. 3,24,074. As per calculations above, the Samaj have received Rs. 3,52,746 towards grant-in-aid for the current financial year (Rs. 2 lakhs plus Rs. 1,52,746). In this way nothing would be payable to the Samaj during the current financial year. It may be added here that the Samaj have run into a deficit of Rs. 1.39 lakhs up to 1963-64 owing to the imposition of a condition of raising a matching contribution by them and they represented that an *ad hoc* grant may be paid to them to wipe out the deficit into which they have run. The question is separately under consideration in consultation with the Planning Commission.

5. As the Ministry of Finance have themselves recognised that if no further grant is realised, this would lead to stoppage of field work in some of the units and dis-engagement of quite a large number of staff. Non-payment of any further grant during the current financial year would cause undue hardship on the Samaj and therefore we feel that some payment must be made to the Samaj. In view of the Samaj having run into a deficit, they are finding it difficult to manage their affairs. Pending the finalisation of the question of making the deficit good to the Samaj and also the final decision in regard to the norms for sanction of grant, we may recommend that the second instalment to be released to Bharat Sewak Samaj should be such as would, after adjusting the overpayment made to them in the last year's grant, be adequate to meet the actual gross expenditure likely to be incurred during the year 1965-66. As stated above, the average gross expenditure during the last three years has been Rs. 4,21,000. We had already given Rs. 2 lakhs to the Samaj. Adjusting the overpayment of Rs. 1,52,746, a further sum of Rs. 68,254 would be needed to enable the Samaj to have funds equal to the average gross expenditure of Rs. 4,21,000 referred to above. We may, therefore, request the Ministry of Finance to agree to release an amount of Rs. 68,254 as second instalment, on the same terms and conditions as earlier.

It'd. illegible

16/3/66

As the financial year is coming to an end, it is requested that this case may please be treated as *Most Immediate* and concurrence, conveyed in a day or two.

The acceptance of the above proposal would mean that against the sanctioned Budget grant of Rs. 4,80,000 for Bharat Sewak Samaj,

for 1965-66, we would be releasing only Rs. 4,21,000 which includes the amount of Rs. 1,52,746 overpaid last year.

Sd/- R. K. GOVIL,
16.3.66.

DS(I)

Discussed with US(I). The funds will be provided out of savings elsewhere.

Ministry of Finance may kindly see for advice/concurrence.

Sd/- S. N. PANDITA,
16.3.66.

Min. of Finance (I&B)

Min. of I&B u.o. No. 15/45/65-PP(Part II) dated 16.3.66.

FINANCE

I & B. Br.

Ministry of Finance agree to the release of Rs. 68,254 as grant-in-aid to the Bharat Sewak Samaj subject to the usual terms and conditions as made earlier. After the accounts of the current year are closed and scrutinised, the Administrative Ministry would take a proper overall view and recover any excess grant if paid this year from the subsequent grant if any which would be paid to either by the Ministry of I&B or by the Planning Commission.

J.S. has been consulted.

Sd/- P. C. TIWARI
23.3.66.

It'd. illegible

23-3-66.

DS(I&B)

Min. of I&B (N.R.)

Min. of Fin. (E.A. Divn.) U.O. No. 1182/I&B FS/66, dated 24.3.66.

IMMEDIATE

ANNEXURE X

No. 15/45/65-PP (P&PC)

GOVERNMENT OF INDIA

MINISTRY OF INFORMATION AND BROADCASTING

New Delhi, the 26th March, 1966.

ORDER

SUBJECT:—Grant-in-aid to the Jan Jagran Vibhag of the Bharat Sevak Samaj for the year 1965-66.

In continuation of this Ministry's Order No. 1/16/65-PP, dated the 13th August, 1965, sanction of the President is hereby accorded under rule 12 of the Delegation of Financial Powers Rules, to the payment of the second instalment of grant-in-aid of Rs. 2,21,000 (Rupees Two lakh and twenty one thousand only), to the Jan Jagran Vibhag of the Bharat Sevak Samaj, New Delhi in connection with the execution of the Plan publicity schemes already approved by the Ministry of Information and Broadcasting.

2. Sanction is also accorded to a sum of Rs. 1,52,746.57 paise being deducted as follows from the aforesaid amount of grant-in-aid of Rs. 2,21,000 and the balance of Rs. 68,253.43 (Rupees sixty-eight thousand, two hundred, fifty-three and forty three paise only) being authorised to be paid in cash to the Jan Jagran Vibhag of the Bharat Sevak Samaj by 31st March, 1966:—

	Rs.	P.
Difference between the amount of grant-in-aid due and that drawn during the year 1964-65 <i>vide</i> para 5 below	1,52,257	63
Sale proceeds of old newspapers	488	94
TOTAL	1,52,746	57

3. This grant-in-aid will be subject to the basic conditions and stipulations laid down in rules 148-151 of the General Financial

Rules, 1963, as well as other specific conditions enumerated in the Annexure hereto attached. (Enclosure).

4. It is certified that the payment of the grant-in-aid is in accordance with the principles prescribed with the previous consent of the Ministry of Finance.

5. The corresponding net expenditure for the year 1964-65 against the grant of Rs. 4,68,000 sanctioned *vide* this Ministry's orders No. 1(13)/64-PP, dated the 7th July, 28th December, 1964 and the 25th March, 1965 has been admitted at Rs. 3,15,742.37 paise. The excess of Rs. 1,52,257.63 paise which is to be treated as unspent balance *vide* para 2 above is being adjusted against the grant payable for 1965-66. The conditions subject to which the grant was paid during the year 1964-65 have been complied with and the necessary Utilization Certificate issued *vide* this Ministry's letter No. 1/13/64-PP, dated the 14th/15th March, 1966.

6. The amount of grant-in-aid payable in cash, *viz.* Rs. 68,253.43 paise *vide* para 2 above, will be drawn direct from the Accountant General, Central Revenues, New Delhi on production of a bill in the form T.R. 42 duly signed by the General Secretary, Bharat Sevak Samaj and countersigned by the undersigned.

7. The expenditure involved is debitable to the head "71-C-Miscellaneous-C.2-Grants-in-aid, Contributions, etc. (Non-Plan)-Social Welfare Agencies" for the year 1965-66.

R. K. GOVIL,

Under Secretary to the Govt. of India.

Copy forwarded to:—

- (1) The Accountant General, Central Revenues, New Delhi.
- (2) The Ministry of Finance (EA Division), New Delhi.
- (3) The General Secretary, Bharat Sevak Samaj, Central Office, New Delhi (for information and necessary action).
- (4) The Secretary, Jan Jagran Vibhag, 17, Theatre Communications, Building, Connaught Circus, New Delhi (for information).
- (5) The Planning Commission, New Delhi (with 5 spare copies).
- (6) The Ministry of Food, Agriculture, Community Development and Cooperation (Deptt. of Community Development), New Delhi.

- (7) The Prime Minister's Secretariat, New Delhi.
- (8) The Secretary, Central Social Welfare Board, New Delhi.
- (9) The Director, Publications Division, Old Secretariat, Delhi.
- (10) U.S.(P).
- (11) P.S. to Minister.
- (12) P.S. to Deputy Minister.
- (13) B.&A. Section.
- (14) File No. 1/16/65-PP.

R. K. GOVIL,

Under Secretary to the Govt. of India.

Enclosure to Annexure X

Conditions and stipulations for the payment of the Ministry of Information and Broadcasting's grant-in-aid to the Jan Jagran Vibhag of Bharat Sevak Samaj, for the year 1965-66.

(1) The grant-in-aid will be applied to cover expenditure on the following four approved schemes, viz:—

- (i) Mass Contact work.
- (ii) Publication of 'Bharat Sevak' journal.
(in English and Hindi).
- (iii) Publication of brochures.
- (iv) Publication of bulletins.

(2) The norms of expenditure on the above mentioned schemes will be as follows:—

Sl. No.	Item	Norms of expenditure
------------	------	----------------------

(i) MASS CONTACT

A—Establishment

- (1) Pradesh Organising Secretary . Rs. 200—250 p.m.
 - (2) Zonal Organising Secretary (one in Rs. 300 p.m.
each Zone consisting of a number of
States).
-

Sl. No.	Item	Norms of expenditure
(3)	District Information Organiser (one in each district taken up by the Bharat Sevak Samaj for intensive work).	Rs. 120—5—150 p.m.
(4)	Other miscellaneous headquarters expenditure, including T.A. and D.A., office rent, telephone, stationery post and telegraph, repair of furniture, audit fee, salaries of other staff, etc.	..
B—Seminars		
(1)	Seminars at State level	Not exceeding Rs. 1,000 for each seminar.
(2)	Study Camps at District level	Not exceeding Rs. 600 for each Study Camp.
(3)	Study Camps at Block level	Not exceeding Rs. 300 for each Camp.
C—Plan Information Centres		
(1)	Central Plan Information Centre at New Delhi.	Not exceeding Rs. 10,000 per year.
(2)	Plan Information Centres in Districts selected for intensive work.	Not exceeding Rs. 700 per Centre per year.
D—Training Camp (To be held once a year).		Not exceeding Rs. 10,000 per year.
E—Purchase of Equipment, etc.		According to requirements.

(ii) PUBLICATION OF BHARAT SEVAK JOURNAL ENGLISH & HINDI

- (1) Bharat Sevak (English) (Monthly)
- (2) Bharat Sevak (Hindi) (Monthly)

(iii) PUBLICATION OF BROCHURES

Not more than 20 brochures in a year.

(iv) PUBLICATION OF BULLETINS

One bulletin in each of the Regional languages of the country. In special cases, a bulletin may be brought out in a language e.g. Konkani, which has not been given the status of the regional language.

- (3) For the year 1965-66, the grant on the above-mentioned schemes will be provisionally limited to the ceilings given below:—

- (i) **Mass Contact:** 95% of the gross expenditure subject to a maximum of Rs. 3,79,750. Subject to the condition that the formula which may be finally

(ii) *Bharat Sevak*: 66% of the gross expenditure subject to a maximum of Rs. 50,000.

(iii) *Brochures*: 75% of the gross expenditure subject to a maximum of Rs. 30,000.

(iv) *Bulletins*: 75% of the gross expenditure subject to the maximum of Rs. 20,250.

adopted for the payment of the grant-in-aid for the year 1965-66 will be applicable to the grant as a whole for the year 1965-66.

(4) Every endeavour should be made to clear the unused stocks of priced 'Brochures' the 'Bulletins' issued by the Samaj.

(5) Proposal for sponsoring any new Scheme or variation in any of the aforesaid approved schemes or the principles underlying therein, will need the prior approval of the Ministry of Information and Broadcasting.

(6) The Samaj's activities in this behalf will not overlap with the corresponding activities of Government. For instance, the Samaj's publications will be such as are not covered already by the Publications Division of the Ministry of Information & Broadcasting.

(7) The funds of Jan Jagran Vibhag will not be used for party, political or anti-government activities. If it is found that this has been done, future grants will be with-held and those already paid recovered.

(8) The equipment purchased with the aid of Government grant vests in Government. The Samaj will be required to maintain an audited record of the assets acquired wholly or substantially out of Government grants received from the year 1953-54 onwards. Such assets will not be disposed of, encumbered or utilised for purposes other than those for which the grant is sanctioned without prior approval of Government. For this purpose, the Samaj will give an undertaking that they agree to be governed by the conditions of the grants which result in the creation or acquisition of permanent or semi-permanent assets. Further the Samaj will maintain a register (in the performa enclosed) for the permanent and semi-permanent assets acquired wholly or mainly out of Government grants. The register should be maintained by the Samaj separately in respect of each sanctioning authority and a copy thereof furnished to the Ministry annually with the audited accounts.

(9) The Bharat Sevak Samaj will submit a statement, duly attested by the Auditors, along with the audited accounts specifying

clearly that they were not sanctioned grants-in-aid for the same purpose by another Department of the Central Government during the period to which the grants relates.

(10) The Jan Jagran Vibhag will facilitate the occasional visits of the officers of the Ministry of Information & Broadcasting and consider their suggestions for the progressive working of the aided schemes.

(11) The Bharat Sevak Samaj, will send half-yearly progress reports on each item, as well as statements of actual expenditure based on departmental figures, within a period of not more than six weeks from the expiry of the half-year concerned. This will be followed up by an audited balance sheet showing receipts and expenditure for the year 1965-66 to be sent to the Ministry not later than the 31st July, 1966. The statement should indicate separately the details of expenditure (recurring and non-recurring) at the headquarters and in the field as well as receipts, pertaining to each of the aforesaid four schemes. It should also be accompanied by the certificates etc. duly attested by the Auditors, in terms of the foregoing conditions, including a certificate to the effect that the ceilings of norms and expenditure laid down in para 3 above have not been exceeded.

(12) The unspent balance of the grant, if any, will be refunded to Government in cash.

(13) The accounts of the Jan Jagran Vibhag of Bharat Sevak Samaj will be open to a test check by the Comptroller and Auditor General of India, at his discretion.

PROFORMA
REGISTER OF ASSETS ACQUIRED WHOLLY OR SUBSTANTIALLY OUT OF GOVERNMENT GRANTS
 (To be maintained by the grantee Institutions)

Sanctioning Authority.....

Sl. No.	Name of the Grantee Institution	Name of the Grantee Institution		Whether any condition regarding the right of ownership of Govts. in the property or other assets acquired out of the grant was incorporated in the grant-in-aid sanctioned	Particulars of assets actually created or acquired	Value of the Assets as on
		No. & date of sanction	Amount of sanctioned grant			
1	2	3	4	5	7	8

Purpose for which utilised at present	Encumbered or not	Reasons, if encumbered	Disposed of or not	Reasons and authority, if any for disposal	Amount realised on disposal	Remarks
9	10	11	12	13	14	15

NOTE—(1) A separate proforma should be maintained in respect of each sanctioning authority.
 (2) A copy of this proforma should be submitted annually to the sanctioning authority.

APPENDIX NO. XI

[Reference Para Nos. 2.91 and 2.93 of the Report]

MINISTRY OF INFORMATION AND BROADCASTING

Note re: Jan Jagran Programme

The Public Accounts Committee had recommended in their 34th Report (1960-61) Second Lok Sabha, *vide* S. No. 34 paragraph No. 69(i), that an early decision should be taken on the question of channelising all the grants given by the Government to the Bharat Sevak Samaj through a single Ministry. This recommendation was examined by the Planning Commission in consultation with the Ministry of Finance and other Central Ministries giving grants to the Bharat Sevak Samaj. The agreed conclusion was that it was not feasible either for any single administrative Ministry or the Finance Ministry or the Planning Commission to assume responsibility for sanctioning grants to the Bharat Sevak Samaj for all the Plan programmes. The Ministry of Finance and the Planning Commission however, gave the matter further consideration in order to see as to how the objectives underlying the recommendation of the P.A.C. could be achieved. Their view was that, *inter-alia*, a Sub-Committee with representatives of the Finance Ministry, Planning Commission and the Central Ministries concerned may be appointed to review periodically the grants given to the Bharat Sevak Samaj. It was felt that this would ensure proper coordination in the grants given by the various Ministries and avoid overlapping and duplication. In pursuance of this decision, the Planning Commission set up a Sub-Committee of the Coordination Committee for Public Cooperation *vide* their O.M. No. 8(9)/63-PUB. dated the 10th October, 1963. A copy of this O.M. indicating the composition of the said Sub-Committee and its functions is enclosed for ready reference. (Annexure A).

2. A copy of the Minutes of the meeting of the Sub-Committee held on the 5th May, 1966 is enclosed. (Annexure B).

ANNEXURE A

No. 8/9/63-Pub

PLANNING COMMISSION

NEW DELHI, 10 October, 1963

OFFICE MEMORANDUM

**SUBJECT: Public Accounts Committee—34th Report (1960-61—
Second Lok Sabha—Action taken on the recommendation.**

The undersigned is directed to refer to the note of the Planning Commission relating to the action taken or proposed to be taken on the recommendations of the Public Accounts Committee made in their 34th Report (1960-61)—Second Lok Sabha (copy enclosed for ready reference). In accordance with the undertaking given in para 3(a) of this note, it has been decided to set up a sub-committee of the Coordination committee for Public Cooperation consisting of the following:

1. Secretary, National Advisory Committee on Public Co-operation—Chairman.
2. Deputy Secretary, Ministry of Finance (C.&I. Division).
3. Director, Public Cooperation, Planning Commission.
4. Financial Adviser (N. A. C. P. C.).
5. Representatives of the following Central Ministries and their associate finance.
 - (i) Ministry of Information and Broadcasting.
 - (ii) Ministry of Education.
 - (iii) Ministry of Health.

6. A representative of the Central Social Welfare Board.

7. Secretary, Bharat Sevak Samaj, Central Office, New Delhi.

2. The Committee's main function will be to ensure proper co-ordination in the grants given by the various Ministries to the Bharat Sevak Samaj and to avoid over-lapping and duplication. For this purpose information will be called for from the Ministries giving grants to the Bharat Sevak Samaj.

3. The Committee will meet from time to time as and when considered necessary.

4. The first meeting of the Committee will be convened shortly.

Sd/- V. P. MITTAL

Financial Adviser, (N. A. C. P. C.)

To

1. Secretary, N. A. C. P. C.

2. Deputy Secretary, Ministry of Finance, C. & I. Division, New Delhi.

3. Director, Public Cooperation, Planning Commission.

(i) Ministry of Information & Broad-casting	} It is requested that the names of the representatives on the Committee may please be intimated at an early date.
(ii) Ministry of Education	
(iii) Ministry of Health	

5. Ministry of Finance, Department of Expenditure, with the request that the names of officers to represent the associated finance of the Ministries of Information and Broadcasting, Education and Health may be communicated at an early date.

6. (i) The Central Social Welfare Board	} With the request that the name of the officer nominated may please be intimated at an early date.
(ii) The Bharat Sevak Samaj, Central Office, New Delhi	

7. All Ministries of the Government of India.

8. The Accountant General, Central Revenues, New Delhi.

9. Lok Sabha Secretariat (P. A. C. Section), New Delhi.

ANNEXURE B

No. 1(1)/66-Pub

GOVERNMENT OF INDIA

PLANNING COMMISSION

(Public Cooperation Division)

Yojana Bhavan

New Delhi, the 21st May, 1966

MEMORANDUM

SUBJECT: *Sub-Committee of the Coordination Committee of Public Cooperation.*

Reference Planning Commission Memorandum No. 1(1)/66-Pub dated the 30th April, 1966.

2. The Minutes of the meeting of the Sub-Committee of the Coordination Committee of Public Cooperation held on Thursday, the 5th May, 1966 in the Planning Commission are enclosed. (Enclosure).

Sd/- R. SUBRAHMANYAN,
Financial Adviser (NACPC)

1. Shri S. N. Pandita,
Deputy Secretary,
Ministry of I&B,
New Delhi.
2. Shri B. G. Idhani,
Deputy Secretary,
Ministry of Finance,
(I&B Division), New Delhi.
3. Shri N. M. Tagore,
Assistant Education Adviser,
Ministry of Education,
New Delhi.
4. Shri N. R. Subramanian,
Under Secretary,
Ministry of Finance,
(Education), New Delhi.
5. Shri M. C. Jain,
Under Secretary,
Ministry of Health,
New Delhi.

6. Dr. H. Banerjee,
Directorate General,
Health Services,
(Family Planning)
7. Shri K. P. Soni,
Deputy Secretary,
Ministry of Finance (Health),
New Delhi.
8. Shri S. Narayanaswami,
O.S.D. Prohibition,
Ministry of Home Affairs,
New Delhi.
9. Shri M. K. Nair,
D.F.A. Ministry of H.A.,
New Delhi.
10. Shri Kameshwar Nath,
Secretary,
Central Social Welfare Board,
New Delhi.
11. Shri K. V. Ramakrishnan,
Under Secretary,
Department of Social Welfare,
New Delhi.
12. Shri P. C. Tewari,
Under Secretary,
Ministry of Finance. (Social Welfare)
New Delhi.
13. Major T. Ramachandra,
General Secretary,
Bharat Sevak Samaj, New Delhi.

Enclosure

Minutes of the meeting of the Sub-Committee of the Coordination Committee for Public Cooperation held on the 5th May, 1966 in Yojana Bhavan, New Delhi.

PRESENT

1. Shri Krishna Prasada, Secretary, N.A.C.P.C.—Chairman.
2. Shri S. N. Pandita, Dy. Secretary, Ministry of I. & B.
3. Shri M. K. Nair, D. F. A. Ministry of Home Affairs.
4. Shri N. M. Tagore, Asstt. Educational Adviser, Ministry of Education.
5. Shri M. C. Jain, Under Secretary, Ministry of Health.
6. Shri B. N. Dar, Administrative Officer, Central Social Welfare Board.

7. Major T. Ramachandra, General Secretary, Bharat Sevak Samaj.
8. Shri Sheo Shankar Singh, Bharat Sevak Samaj.
9. Shri H. K. D. Tandon, Deputy Secretary, Planning Commission.
10. Shri J. P. Agarwal, Section Officer, Planning Commission.
11. Shri R. Subrahmaniam, Financial Adviser, N.A.C.P.C., Planning Commission.—Convenor.

Item No. (1) Financial Assistance to the Jan Jagran Vibhag of the Bharat Sevak Samaj for covering the deficit incurred by the Samaj in implementing the Plan Publicity scheme of the Ministry of Information & Broadcasting.

The Chairman pointed out that this item had been hanging fire for a very long time and suggested that it should be disposed of without further delay. Shri M. K. Nair drew attention to the statement in the Agenda papers that the Samaj were undertaking Plan Publicity activities as Ministry of Information & Broadcasting's non-official agency. It therefore could not be expected to be out of pocket and said if this was the position it would be more appropriate to treat the entire expenditure as a direct expenditure of the Information and Broadcasting Ministry, instead of its being treated as grant-in-aid. The meeting, however, felt that the *status quo* need not be changed.

2. Shri Tandon mentioned that the deficit incurred by the Bharat Sevak Samaj had affected the quality of their work in the field of Plan Publicity and it would be desirable that whatever relief could be given to the Samaj was given quickly.

3. Shri Pandita mentioned that the total financial picture of the Bharat Sevak Samaj was not available in the absence of the consolidated statement of accounts for the years concerned and that it might not be entirely right in the light of the Public Accounts Committee's latest report on the Bharat Sevak Samaj to make any payment to the Samaj. The Committee felt that the quantum of deficit had already been accepted by the Information and Broadcasting Ministry, and that while the P.A.C.'s recommendation should be fully taken into account, whatever has already been found to be due to the Bharat Sevak Samaj might be paid to them. In so doing, the Information & Broadcasting Ministry would not doubt take into account any adjustment that might be necessary on account of wrong classification of expenditure etc. which are stated to have been brought to their notice by the audit party.

Item No. (2) Review of the formula for the matching contribution to be raised by the Bharat Sevak Samaj and other voluntary organisations for implementation of the Plan Publicity programme of the Ministry of Information and Broadcasting.

4. The Chairman mentioned that since the Agenda papers were circulated a note had been received from the Information & Broadcasting Ministry containing their revised suggestions in the matter. Copies of this note were circulated to the members at the meeting.

5. The Chairman pointed out that uniformity in the quantum of grant-in-aid for the different activities of the Bharat Sevak Samaj in the field of Plan Publicity was rational and desirable.

6. The representatives of the Bharat Sevak Samaj stated that on account of drought, high prices etc., collections from the public had not been substantial and therefore fixation of a percentage of 20 for the contribution by the Bharat Sevak Samaj might be beyond their means.

7. Shri Pandita pointed out that, according to the statistical information received from the Bharat Sevak Samaj themselves, the average collections during the preceding three years was over 20% and therefore the percentage of 20 recommended by the Ministry of Information and Broadcasting was not high.

8. Taking into account that it was the idea of the Information and Broadcasting to bring in other voluntary organisations also into the picture and that such new organisations might not be able to provide a matching contribution as high as 20%, and considering also that any collection made in excess of the prescribed percentage would go towards reduction in the quantum of grant payable by the Government, the Committee felt that a uniform percentage of 15 for the matching contribution of the voluntary organisations would be reasonable.

Item No. (3) Association of other Voluntary Organisations in the field of Plan Publicity.

9. Shri Pandita mentioned that it was the desire of the Information and Broadcasting Ministry to bring in voluntary organisations other than the Bharat Sevak Samaj also into the field of Plan Publicity. This would also be in line with the recommendations made by the Public Accounts Committee in their last report on the Bharat Sevak Samaj. However, the Ministry of Information & Broadcasting could give no substantial grant to the other voluntary organisations because the budget provision was just enough to

meet the commitments of the Bharat Sevak Samaj. The meeting felt that it was desirable that other voluntary organisations should also be associated in the field of Plan Publicity and that the Information & Broadcasting Ministry might make a suitable budget provision. They might also do some advance planning for 1967-68 in this regard. Shri Dhar of the C. S. W. B. stated that the C. S. W. B. would be prepared to suggest names of voluntary organisations who would be suitable for the purpose. The meeting, however, felt that in bringing in other voluntary organisations, the allocation made for the Plan Publicity work of the Bharat Sevak Samaj should not be curtailed.

Item No. (4) General

10. The Chairman suggested that the Information & Broadcasting Ministry might bring out a documentary on Public Cooperation and what had been achieved. He mentioned in particular the Yamuna Barrage, the Kosi Project, the Occupational Therapy Institute, Delhi, the slum centres, Bhajan Mandlis etc. which could provide suitable material for such a film. He also mentioned that the Planning Forums and the Lok Karya Kshetras might be associated in Plan Publicity in a greater measure. The meeting desired that the Information and Broadcasting Ministry might consider this.

APPENDIX XII

[Reference Para No. 2-92 of the Report]

MINISTRY OF INFORMATION AND BROADCASTING

Note explaining why the Bharat Sevak Samaj (Jan Jagran Vibhag) run into deficit from the year 1959-60.

During the detailed examination of para 136(ii) of the Audit Report (Civil), 1966, relating to the grant-in-aid to the Bharat Sevak Samaj, by the Sub-Committee of the Public Accounts Committee, on the 16th November, 1966, the Chairman, Public Accounts Committee, stated that while the Sub-Committee had been informed that Ministry of Information & Broadcasting had not made any payment of the *ad hoc* grant to the Bharat Sevak Samaj to wipe out the deficit, pending receipt of the consolidated accounts from the Samaj, a letter dated December 15, 1965, signed by Shri A. N. Jha (former Secretary, I & B Ministry) to the Accountant General Central Revenues indicated that a decision had been taken to make an *ad hoc* payment to the Samaj for wiping out the deficit. The Chairman directed that a note clarifying the position may be submitted to him. The position is explained in the succeeding paragraphs.

2. In November 1963, the Bharat Sevak Samaj intimated to this Ministry that they had run into a deficit during the year 1959-60, 1960-61 and 1961-62 due to the imposition of the condition of the matching contribution of 17½% to be raised by them. The matter was considered in this Ministry in the meetings held on February 29, 1964 and June 2, 1964. The latter meeting was held under the chairmanship of Dr. Nagendra Singh, the then Special Secretary of this Ministry, which was attended by the representatives of the Planning Commission and the Bharat Sevak Samaj and also A.F.A., with the following results:—

‘It was decided in principle that the amount of deficit into which the Jan Jagran Vibhag of the Bharat Sevak Samaj had run, due to the imposition of the matching grant, during the years 1959-60 onwards, may be made good to them as *ad hoc* grant-in-aid, in one lump sum instalment, during the year 1964-65, provided it would not necessitate asking for a supplementary grant on that account. If such supplementation became necessary, the proposed *ad hoc*

grant may be paid in two annual instalments during the years 1964-65 and 1965-66.

'The actual amount of deficit should be worked out by the Sub-Committee set up in the Planning Commission, for co-ordinating the payments of grants-in-aid to the Bharat Sevak Samaj, in consultation with the Jan Jagran Vibhag, whereafter the matter should be put up for the final orders of Government.'

3. As per above decision the matter was remitted to the Planning Commission on 2nd July, 1964 for being placed before the Sub-Committee of the Co-ordination Committee on Public Co-operation. The said Sub-Committee was set up by the Planning Commission in October, 1963 in pursuance of the recommendation of the Public Accounts Committee made in their 34th Report (1960-61)—Second Lok Sabha, for the purpose of coordinating the grants-in-aid given to Bharat Sevak Samaj by different Central Ministries and to avoid overlapping and duplication. The Sub-Committee was composed as follows:—

Chairman

- (1) Secretary, National Advisory Committee on Public Co-operation, Planning Commission.

Members

- (2) Deputy Secretary, Ministry of Finance (C & I) Division.
- (3) Director, Public Cooperation, Planning Commission.
- (4) Financial Adviser (NACPC).
- (5) Representatives of the following Central Ministries and their Associate Finance:
 - (i) Ministry of I. & B.
 - (ii) Ministry of Education.
 - (iii) Ministry of Health.
- (6) A representative of the Central Social Welfare Board.
- (7) Secretary, Bharat Sevak Samaj, Central Office.

4. The above question was included in the agenda for the meeting of the Sub-Committee held in the Planning Commission on September 23, 1964, but its consideration was deferred as AFA was not in a position to attend the meeting. It was agreed that AFA would have

a preliminary discussion with the representatives of the Samaj and the record of discussion so held would be placed before the full meeting of the Sub-Committee for the final decision. AFA had two meetings with the representatives of the Samaj on 25th September 1964 and 4th March 1965 but the discussions were inconclusive. AFA desired on 3rd June 1965 that the matter may be placed before the Sub-Committee for obtaining its views. Accordingly this Ministry requested the Planning Commission on 9th June 1965 to include this item in the Agenda of the next meeting of the Sub-Committee for further consideration. This item was included in the agenda for the meeting of the Sub-Committee held on 5th May 1966. The Sub-Committee at that meeting, which was attended by the representatives of the Planning Commission and other organisations of the Central Government which give-grant-in-aid to BSS as well as those of the Samaj, has recommended that 'while the PAC's recommendation should be fully taken into account, whatever has already been found to be due to the BSS might be paid to them. Money has not been paid so far and Government have also not taken a final decision regarding payment of the *ad hoc* amount though in principle Government stand committed to pay this amount.

5. In reply to the draft audit para received from the AGCR, this Ministry informed the AGCR vide the d.o. letter No. 1/9/65 PP (P&PC) dated the 15th December, 1965, from Shri A.N. Jha, former Secretary of Information and Broadcasting, that a decision had since been taken to make an *ad hoc* payment to the Samaj for wiping out their deficit. This actually referred to only the decision in principle taken at the meeting held on 2nd June, 1964 referred to in para 2 above. As already stated, the final decision in the matter is yet to be taken. It is regretted that this Ministry's letter dated 15th December, 1965, did not convey the position clearly.

APPENDIX No. XIII

(Reference para 3.4 of the Report)

(RECEIPTS AND PAYMENTS ACCOUNTS OF THE IRON AND STEEL EQUALISATION FUND FOR THE YEAR 1964-65)

(As prepared by the Iron and Steel Controller, Calcutta)

Receipts	1963-64	1964-65	Payments	1963-64	1964-65
	(In lakhs of rupees)	(In lakhs of rupees)		(In lakhs of rupees)	(In lakhs of rupees)
1. Opening cash balance	6,405.98	6,307.62	1. Payments due to increase in retention prices allowed to Main Producers and the adjustment on account of Railway freight on despatches made on f.o.r. destinations basis :—		
2. Surcharge representing difference between the Retention and Selling prices of steel produced by Producers :—					
(a) Private Sector including Mysore Iron and Steel Co.,	827.16	500.98	(a) Private Sector Including Mysore Iron and Steel Co.	738.21	469.53
(b) Public Sector	401.08	549.02	(b) Public Sector	556.62	461.03
(c) Re-rollers	47.75	35.00	2. Payment of subsidy on imported steel :—		
3. Surcharge on imported steel representing the difference between the landed cost and statutory selling price :—			(a) Tender purchases	30.00	28.13
(a) Tender purchases	55.17	89.48	(b) Bulk purchases on Government to Government basis	7.62	27.33
(b) Bulk purchases on Government to Government basis	0.05	0.03	3. Payment of subsidy on exports	0.41	5.61
			4. Railway freight transport and other incidental charges on account of acquisition of raw materials, despatches of finished products at f.o.r. destination rates	101.42	68.65

4. Revaluation of stock of steel with stockists on changes in statutory selling prices. . . .

11 96

9 73

5. Payment to Controlled stockists being refund of the amount realised in excess on account of re-valuation of the stock with them due to changes in statutory selling prices. . . .

5 39

0 76

5. Realisation from the Controlled Stockists and Export Promotion Quota-holders on account of the difference between the normal and concessional prices of iron and steel materials transferred to normal stock. . . .

0 43
0 44

0 06
2 75

2 74

6. Other miscellaneous payments . . .

2 73

6 424 89

7. Closing cash Balance . . .

6 307 62

TOTAL : .

7 750 02

7 488 67

TOTAL : .

7 750 02

7 488 67

BALANCE SHEET OF THE IRON AND STEEL EQUALISATION FUND AS ON 31 MARCH, 1965.

Liabilities		Ra.	Ra.	Assets	Ra.	Ra.
1. Sundry Creditors				1. Sundry Debtors		
(a) For which Credit Notes have been issued :—				(a) Amount billed for but not realised:—		
(i) Controlled Stock-holders.	10,396	..	..	(i) Main Producers.	3,30,06,654	..
(ii) Re-rollers	3,53,149	..	..	(ii) Controlled Stock-holders	2,63,888	..
(iii) Sundry parties on account of subsidy on imported Steel.	2,83,536	..	..	(iii) Re-rollers	2,35,66,652	..
(iv) Export subsidy	18,888	..	..	(iv) Sundry parties on account of surcharge on imported steel.	2,15,90,159	..
	<u>6,70,969</u>			(v) Sundry parties on account of miscellaneous adjustments	3,46,031	..
(b) For which Credit Notes have not been issued	6,49,79,000	6,56,49,969			<u>7,87,73,384</u>	..
2. Closing balances of the Fund				(b) Amount outstanding but not billed for (estimated)	1,52,95,000	9,40,68,384
(Cash balance plus net surplus of the dues to the Fund over the liabilities)				2. Special Advances :		
			87,27,33,805	Tata Iron and Steel Co.	10,00,00,000	..
				Indian Iron and Steel Co.,	10,18,26,476	20,18,26,476
				3. Cash balance in the Fund.	..	64,24,88,914
TOTAL		<u>93,83,83,774</u>		TOTAL	<u>93,83,83,774</u>	

*The figures shown is estimated.

APPENDIX No. XIV.

(Reference Para No. 4-24 of the Report.)

MINISTRY OF SUPPLY, TECHNICAL DEVELOPMENT AND MATERIALS PLANNING

STATEMENT REGARDING PURCHASE OF BOOTS ANKLE.

S. No.	Firm	No. and date of order	Qty. ordered	Contract D/P	Qty. supplied up to that date	Whether O/S qty. cancelled or price renegotiated	Extension in D.P. granted if any.	Quantity supplied by that date
					Prs.			prs.
1	M/s. B. I. C. Kanpur	3177 dt. 23-12-62	3 lakhs	30-4-63 10-6-63 (refixed on 13-3-63 due to delay in giving packing instructions).	2,91,056 8,944	No.	Yes upto 30-6-63 on which date despatch was completed.	9,944
2	M/s. Army & Police Equipment Supply Co. Kanpur.	3200 dt. 23-12-62	1,40,000	30-9-67	1,35,937	No.	Yes upto 31-10-63 due to delay in inspection.)	4,063
3	Glaxo K.L. In Lia Pvt. Ltd. Calcutta.	3201 dt. 23-12-62	60,000	30-9-63	[37,000	No.	31-1-64 Due to disturbances 31-3-64 in Calcutta. 21-4-64 31-7-64 extended with price reduction.	5,000 12,000 6,000 2,000
4	M/s. Ruby Industries Kanpur.	3202 dt. 23-12-62	1,91,000	30-9-63 30-10-63 (refixed due to delay in inspection).	[1,50,890 131,110	No.]	..	..

1	2	3	4	5	6	7	8	9
5	M/s. A.K. Bros. . New Delhi.	3251 dt. 29-12-62	[1,20,000	[30-9-63	1,16,838	No.	10-10-63 (Due to delay in inspection)	Prs. 13,983
6	M/s. Birmia Cottage Industries, Kanpur	3254 dt. 29-12-62	[1,35,000	[30-9-63	[51,131	No.	31-1-64 (due to increased cost) 31-3-64 (due to increased cost)	42,994 19,545
7	M/s. Kohli Industrial Corpn. Kanpur.	3205 dt. 29-12-62	[54,000	[30-9-63	Nil]	Yes.	31-5-64 (refined subject to priced reduction.)	21,330
						No.	31-12-63 (other o/s orders placed before).	19,065
						Yes.	10-9-64 (subject to price reduction)	10,580
8	M/s. Curzon Leather Works, Kanpur.	3206 dt. 29-12-62	[48,000	[30-9-63	[32,433	No.	31-10-63 (rejection) 31-12-63 (Do.)	13,37 3,030
9	M/s. Udmi Ram & Sons , New Delhi	3207 dt. 29-12-62	24,000	[30-9-63	16,585	No.	31-12-63 (Electricity failure) 28-1-64 (tendered before 31-12-63	3,382 4,023
10	M/s. Gensupp & Co. Kanpur.	3208 dt. 29-12-62	21,000	30-9-63	[15,980	No.	31-10-63	5,020
11	M/s. Ailga Boot Fy. Kanpur.	3209 dt. 29-12-62	14,200	30-9-63	12,500	..	..	..
12	M/s. National Leather Fy. Kanpur.	3210 dt. 29-12-62	6,755	30-9-63	1,733	..	30-10-63 (financial diffi- culties) 9-11-63 (regularised)	5,023

13	M/s. National Leather Factory, Kanpur.	3243 dated 29-12-62	2,245	30-6-63	4,112	..	30-8-63 (non-availability of thread) 21-9-63 (D.P. regularised)	4,675 pairs
14	M/s. Saha Leather Factory, Kanpur.	3211 dated 29-12-62	21,000	30-9-63	NIL	Yes.	No. Nil A/T. cancelled on 26-9-63 and entire qty. repurchased on 12-11-63. at lower rate.	2,672 pairs
15	M/s. Hindustan Industrial Corpn. Kanpur.	3212 dated 29-12-62	40,000	30-9-63	40,000	..	..	..
16	M/s. Kasha Industries, Kanpur.	3213 dated 29-12-62	25,000	30-9-63	NIL	Yes.	31-3-64 Nil (A/T cancelled on 6-5-64 and repurchased made at lower rate).	8,492 pairs
17	M/s. Bharat Leather Fy. Kanpur.	3214 dated 29-12-62	27,000	30-9-63	18,508	No.	31-12-63 (financial difficulties)	61,623 pairs
18	M/s. Prime Products Ltd., Kanpur.	3250 dated 5-1-63.	1,80,000	30-9-63	1,18,377	No.	30-11-63 (power failure)	3,576 (tendered before 30-9-63)
19	M/S. H. Maule Butsh & Son. Co. Kanpur.	3271 dated 14-1-63.	45,000	30-9-63	41,424	No.	15-10-63 (D.P. regularised)	N.L.
20	M/s. Dayalbagh Shoe Mfg. Socy. Agra.	3352 dated 8-3-63	6,000	15-4-63	NIL	No.	30-6-63 (late receipt of size roll) 30-8-63 (do)	6,000 pairs
21	M/s. Leather & Textile Corpn. Kanpur.	3354 dated 8-3-63	5,000	30-4-63 30-6-63 (Refixed due to delay in getting size roll)	NIL	No.	30-8-63 (due to delay in inspection).	5,000 (tendered before 30-6-63).
22	M/s. Shah Footwear Fy. Agra.	3407 dated 11-4-63	25,000	30-9-63	16,500	No.	6-1-64	8,500 (tendered with- in the grace

* Balance qty. prs. of 24,355 prs cancelled and repurchased at lower rate subsequenty.

1	2	3	4	5	6	7	8	9
								period but ins- pected & despatched subsequently).
23	M/s. North India Boot Fy. Agra.	2408 dated 11-4-63	13,000	31-10-63	9,000	No	2-1-64	6,000 prs. (tendered for inspection— before 31-10-63).
24	M/s. Bombay Foot- Wears Fy. Bombay	3409 dated 11-4-63	15,000	30-10-63	4,976	No.	31-3-64	Nil.
25	M/s. Hombat Boot Co. Agra,	3410 dated 11-4-63	20,000	30-10-63	20,000	..	..	10,024 prs.
26	M/s. B. I. C. Kan- pur.	3613 dated 29-7-63	1,50,000	30-11-63	17,160	No.	31-12-63 (due to delay in inspection)	76,787 prs.
27	M/s. A. B. Bros. New Delhi.	3759 dated 30-11-63	35,000	31-3-64	35,000	..	31-1-62 (do.) 5-3-64 (inspected and passed before 31-1-64)	52,653 prs.
28	M/s. Army Police Equipment Supply Co. Kanpur.	3760 dated 30-11-63	35,000	Do.	35,000	..	..	..
29	M/s. Ruby Indus- tries Kanpur.	3761 dated 30-11-63	25,000	31-3-64	35,000	..	..	..
30	M/s. Prime Product Ltd. Kanpur.	3762 dated 30-11-63	27,498	31-3-64	27,498	..	..	..

31	M/s. Gensup & Co. Kanpur.	3763 dated 30-11-63	6,000	31-3-64	6,000	..	..	..
32	M/s. Curzen Leather Works, Agra.	3764 dated 30-11-63	12,000	31-3-64	[6,425	No.]	14-5-64 (tendered within the grace period, delay due to inspection)	[5,575 prs.	
33	M/s. Director of Industries, Kanpur	3765 dated 30-11-63	13,000	31-3-64	Nil.	Yes.	30-6-64	Nil (A/T cancelled and repurchased made at lower rate subsequently.)	
34	M/s. Combat Boot Co. Agra.	3767 dated 30-11-63	12,000	31-3-64	12,000	..	..	..
35	M/s. Ailga Boot Fy. Kanpur.	3768 dated 30-11-63	6,000	31-3-64	6,000	..	..	..
36	M/s. Udmi Ram & Sons, New Delhi	3770 dated 30-11-63	4,000	31-3-64	4,000	..	..	..
37	M/s. Bharat Leather Fy. Kanpur.	3771 dated 30-11-63	3,000	31-3-64	3,000	..	..	..
38	M/s. Malik Co. Kanpur.	3769 dated 30-11-63	6,000	!Do	6,000	..	..	..
39	M/s. Mirzoor Industrial Corp. Socity. Kanpur.	3772 dated 30-11-63	3,000	Do	Nil.	No.	15-5-64	1,808 prs. (no. nince reduction enforced as the stores were tendered before, original date)	
40	M/s. Combat Boot Co. Agra.	3720 dated 5-11-63	15,000	14-12-63	15,000	..	27-10-64 (with price reduction)	1,189 prs.	
				31-12-63 (refixed due to delay in giving size roll.)					

[Deptt. of Supply and Tech. Development O.M No. 43(22)/65/P1 dt. 30/9/1966].

APPENDIX XV

[Reference Para No. 4.48 of the Report]

DEPARTMENT OF SUPPLY & TECHNICAL DEVELOPMENT

Note giving details for the justification for allowing extensions of delivery periods in Certain Contracts.

As a result of the meetings held on 5/6.11.1962 with the Textile Commissioner to assist the indigenous manufacturers for various yarn items and to find ways and means to meet the anticipated demand of about 40 lakhs Nos. of blankets it was known to the DGS&D that the total capacity in any variety would not be more than 15.54 lakh blankets per annum and even this could be achieved only with maximum efforts. From the very beginning therefore, it was quite apparent that there was a considerable gap between the requirements and the expected supplies during the year 1963. It was in this background that negotiations were conducted with the trade on 24/25. 11.1962 and in DGS&D's proposals it was clearly stated that the intention was to stabilise these prices for a period of one year which could only mean that any coverage during that year should not be done at a price higher than the negotiated agreed ceiling prices analogous to the position obtaining against Rate/Running Contracts. This intention is further clear from the fact that the total value of coverage on the basis of quantities on hand at the agreed rates was shown as Rs. 11.34 crores in respect of Blankets Barranck and this commitment was duly noted and approved by the Ministry of Finance. It may be clarified that the other statement in DGS&D's proposals relating to approval of the Ministry to place orders at the above negotiated rates for deliveries during January, 1963 to December, 1963 only related to the quantity of 6.9 lakh blankets proposed to be straightaway placed on 7 mills at the negotiated rates. Thus there was nothing wrong in placing orders contemplating deliveries beyond December, 1963 so long as these orders were actually placed by 31.12.1963.

During the period the DGS&D placed further orders at the negotiated price even for deliveries beyond December, 1963, the wool prices were going up and the industry was clamouring for Higher

prices which was in indication that if further quantities were not covered for supplied even beyond December, 1963, prices may have to be paid. At that time even some firms had indicated that their manufacturing cost was as high as Rs. 36.22. The lower trend of price which evidenced itself in May & August, 1964; could not be anticipated in view of the fact that wool prices were going up and the Industry was pressing for higher prices.

Regarding extensions in the delivery dates, it would be seen from the enclosed statements that in a few cases the outstanding quantities were cancelled at the risk and cost of the defaulting firms after knowing the downward trend in prices and re-purchase was effected at lower prices. In some cases, however, the firms had already received the raw material and it was not possible to enforce the lower prices and in such cases delivery period was extended without reducing the prices in consultation with the Ministry of Law.

Sd/- N. R. BANSOD,

Joint Secretary.

[Deptt. of Supply and Tech. Development O.M. No. 43 (32)/65
PI dated 1.10.66].

APPENDIX XVI

[Reference Para No. 4.56 of the Report]

DEPARTMENT OF SUPPLY & TECHNICAL DEVELOPMENT

Note re: appointment of an officer well versed in Mercantile Law in the office of the D.G.S.&D.

On account of an incident of divergence between a tender and A/T coming to the notice of the P.A.C. that committee recommended in paras 7 and 8 of the 38th Report (3rd Lok Sabha) of the P.A.C. (1964-65) relating to para 80 of the Audit Report (Civil), 1964, that there should be an Officer in DGS&D who is well versed in Mercantile law such as Contract Act and Companies Act etc., The matter was examined at Joint Secretary's level in the Department of S.&T.D. and the Ministry of Law were requested to spare the services of a part time officer well versed in Mercantile Law. The matter was examined Dy. Minister's level in the Ministry of Law, who did not agree to spare the services of an officer on a part time basis.

The matter was considered further at Minister's level in the Department of Supply & T. D. and the creation of a legal cell headed by a Legal Officer of the rank of a Deputy Secretary assisted by an officer of the rank of an Under Secretary was recommended to the Ministry of Finance for concurrence. That Ministry suggested careful consideration of the case without necessarily increasing expenditure.

As suggested by the Ministry of Finance, this matter was examined further in the light of the views expressed on the subject. Accordingly, a meeting was held under the Chairmanship of Minister (Supply) on 7th September, 66 which was attended by Secretary (STD&MP); Secretary (Law); Joint Secretary (STD&MP); Financial Adviser (I&S) and (DGS&D). It was explained that the case of DGS&D was different because it had to enter into a very large number of contracts for procurement of stores and it was not practicable to refer all such cases to the Ministry of Law. In the discussions, it was agreed that a post of a Contract Officer in the scale admissible to Deputy Secy. to the Government of India may be

created in the DGS&D and filled by deputing a suitable officer from the Ministry of Law. The particulars and character roll of the officer to be nominated by the Ministry of Law are now awaited from the Ministry who have already been addressed in the matter.

Sd/- N. R. BANSOD,
Joint Secretary.

[Department of Supply & Tech. Development O.M. No. 43 (32)/
65.PI dated 1-10-66]

APPENDIX XVII

[Reference Para No. 4.78 of the Reports]

DEPTT. OF SUPPLY AND TECHNICAL DEVELOPMENT

Note giving details of the Contract for the purchase of Ferro Tungsten

Point No. 1 Whether the Department of Supply, and Tech. Dev. had fully examined the implications of the contract, whether the price was verified i.e. how much more or how much less it would be.

The implications of the contract had been fully examined by the D.G.S.&D. before the placement of the contract on M/s. G.K.W. However once the contract had been concluded, it was not possible to alter any term thereof unilaterally. To appreciate the implications of the contract it would be necessary to go into details and the terms and conditions agreed upon between the two parties. The quotation of the said firm dated 23-6-64 was subject to variation for the following:—

(a) *Tungsten content.*

Their price of Rs. 13,890/- per tonne F.O.R. Calcutta was based on 70% content and would advance by Rs. 485/- per tonne for each per cent increase in the Tungsten content of the Alloy. This condition was subsequently modified by them vide their letter of 24-11-64 to the effect that the price of Ferro tungsten would go up by Rs. 197/- per tonne for every one per cent increase in the tungsten content of the alloy. In other words, the variation factor was reduced from Rs. 485/- per tonne to Rs. 197/- per tonne for every one per cent increase in the tungsten content. (Any decrease in the tungsten content would not have been according to specification and, therefore not acceptable to us.).

(b) *F.O.B. Price.*

The quoted price was based upon the current F.O.B. U.K. price of Sh. 9.1½d per pound tungsten content less their commission of 2%. If there was any change in this price at the time of shipment from the U.K., the difference, would be to the purchaser's account.

(c) *Customs duty.*

The price included customs duty at 30% on the C.I.F. value as per I.C.T. Item No. 63(1), plus 10% surcharge thereon. If the actual duty paid was at variance, the difference would be to Govt. account.

(d) *Exchange Rate.*

Their offer was based on the rate of exchange of Sh. 1.6d per rupee. In the event of any change in the rate of exchange as fixed by the Exchange Bankers Association, the contract price would be adjusted at the rate of exchange as paid to their Bankers on the date of retirement of the relative bill from their Principals.

(ii) The firm were *inter-alia* asked in DGS&D letter dated 31-8-64 to withdraw (a) their price variation clause (b) their clause of any variation in customs duty and any rate of exchange and to accept only statutory variation in customs duty and standard rate of exchange. The firm stated in their reply dated 8-9-64 that they would not withdraw their price variation clause. With regard to (h) they confirmed that they would ask for adjustment in price only in the event of a statutory variation in customs duty and rate of exchange.

(iii) The other firm in the picture (referred to as firm 'A' in the Audit Para) had intimated to DGS&D on 23-10-64 that according to indication at that time the then F.O.B. rate for Ferro tungsten was Sh. 9/8d. per lb. Tungsten content as against Sh. 9/5½d. applicable at the time of their offer. Both firms 'A' and 'B' had regretted their inability to withdraw price variation clause in the course of subsequent correspondence. As the price of Ferro Tungsten is subject to wide fluctuation, it would not have been possible to verify at that stage the price that shall be eventually payable i.e. at the time of shipment. Nor is it feasible to do so because the price could go up as well as come down.

(iv) Advance order was placed on M/s. G.K.W. on 30-11-64 at their tendered price of Rs. 13,890/- per M/T F.O.R. Calcutta. It was further stipulated that this price was based on 70% tungsten content and would advance by Rs. 197/- per tonne per each per cent increase in the tungsten content of the Alloy and that formal A/T showing full details was under issue. Acknowledging the advance order, the firm stated in their letter dated 8/24-12-64 that the then current F.O.B. price of Ferro Tungsten was 12 Sh. 3.3d per lb. and that the

formal contract should be issued at the revised price of Rs. 18,431/- per tonne F.O.R. Calcutta. This letter was received in the DGS&D on 24-12-64, on which date the formal A/T was issued subject *inter alia* to the following terms and conditions:—

- (a) Price Rs. 13,890/- per tonne, F.O.R. Calcutta (as per their original quotation dated 23rd June, 1964).
- (b) The price is based on 70% Tungsten content and the same will be advanced by Rs. 197/- per tonne for each per cent in the tungsten content.
- (c) The price will vary with statutory variation in customs duty and rate of exchange. Customs duty has been included 30% plus 10 per cent surcharge and the rate of exchange is Rs. 1-Sh. 1.6d.
- (d) An import Recommendation Certificate is being issued.
- (e) Date of delivery—31-8-65 (shipment ex-works U.K. in 2 to 3 months from the date of receipt of import licence).

(v) The firm acknowledged the receipt of the formal order vide their letter of 29-12-64 and stated that the Wolfram Ore prices had risen further from Sh. 9.1½d. to Sh. 13.6d. and that a suitable provision for the readjustment of F.O.B. price should be made in the A/T in terms of their quotation. An amendment was issued to the contract on the 19th January, 1965 providing for variation in prices on account of variation in the F.O.B. U.K. Price. The amendment read as follows "The current F.O.B. U.K. price on which the offer is based is Sh. 9.1½d. per pound tungsten content less commission at 2%. If there is any change in the price at the time of shipment from the U.K., the difference will be to the purchaser's account."

(vi) In case of contracts involving price variation, the usual practice of the DGS&D is to scrutinize the claims of the firm on merits only after completion of supplies on the basis of documentary evidence. Further, in this case, the price of tungsten content ruling on the date of shipment was to be taken into account. Hence, the revised price payable to the firm in terms of their price variation clause was not verified earlier. The firm completed the order in two instalments of 35 metric tons and 20 Metric tons which were despatched to the consignee on 6-12-65 and 24-8-66. respectively. They submitted their claim relating to the first instalment of 35

M/Tons on 18-1-66. The increase in price claimed by them was as follows:—

	Rs.
(a) For higher tungsten content which ranged from 2·84% to 4·79% over the minimum of 70% specified	26,732·90
(b) Increase in Customs duty	1,53,218·18
(c) F.O.B. price variation	1,54,323·75
TOTAL	3,34,274·83

The firm were informed by the DGS&D on 12-7-66 that their claim shall be examined and finalised only after completion of supplies. They have since submitted their claim for the 2nd instalment of 20 M/Tons under their letter dated 15-9-66. The increase in price claimed is as under:—

	Rs.
(a) For higher tungsten content which ranged from 2·38% to 6·22% over the minimum of 70% specified	19,394·65
(b) Increase in Customs duty	8,436·26
(c) F.O.B. price variation	1,39,773·23
(d) Exchange rate variation	1,78,894·26
TOTAL	3,46,498·40

Their entire claim shall now be verified in terms of the contract.

Point 2: Whether the implication of devaluation was examined i.e. how the loss or gain would be appropriated etc.

Devaluation came into effect from 6-6-1966. Hence the first consignment of 35 M/Tons, which was shipped from U.K. on 30-9-65 is not affected by devaluation. As regards the second instalment of 20 M/Tons, the firm have submitted their claim on 15-9-66 (received in D.G.S.&D. on 20-9-66). Their claim for Exchange rate variation amounts to Rs. 1,78,894.26.

Though the firm in their Tender had asked for variation on the rate of Exchange with reference to the date of retirement of the

bill from their Principals, no such condition was stipulated in the contract. The relevant clause included in the contract reads as under:—

“The price will vary with statutory variation on Customs duty and rate of exchange. Customs duty has been included at 30 per cent plus 10 per cent surcharge and the exchange rate is Rs. 1/- equal to Sh. 1/6d.”

The above clause was accepted by the firm without any protest or demur. The bill of lading is dated 31-5-66, which shows that the shipment was made before the devaluation came into effect. The claim of the firm therefore appears to be *prima facie* inadmissible, as normally the letter of Credit is opened by the Agents/buyers before any shipment by the supplier is made. However, this aspect of their claim is being further examined in detail and opinion of Ministry of Law shall also be obtained, if necessary.

Sd/- N. R. BANSOD,

Joint Secretary.

[Department of Supply & Tech. Development O.M. No. 43
(30)/65-PI dated 30-9-66]

APPENDIX XVIII

[Reference Para No. 4.123 of the Report.]

DEPARTMENT OF SUPPLY & TECHNICAL DEVELOPMENT

Detailed Note re: Purchase of Jig Boring Machines.

I. FACTUAL NARRATIVE:

Two indents dated 24-6-63 and 22-7-63 from the D.G.O.F. each for one Production Jig Boring Machine, were received in the DGS&D in July, 1963. The specifications desired were indicated and the indenter also suggested a source of supply, namely, "similar to Oerlikon Production Jig Borer Model R-2 or any firm of repute." Both indents were operational and deliveries were specified by October and December, 1963.

2. The first indent was sent on receipt to the DGS&D's Inspection Wing for checking. The Inspection Wing addressed the indenter on 6/8-7-63 as follows:—

- (a) The details furnished by the indenter in respect of the special accessories were a pointer to the Oerlikon Jig Boring Machine.
- (b) In order to avoid giving an indication of this nature the Inspection Wing suggested generalised specifications (which took account of the features of Oerlikon Production Jig Boring Machine R-2).
- (c) The indenter was asked to give a Proprietary Article Certificate if he was unable to accept the generalise specifications suggested.

3. The D.G.O.F. in his reply dated 30-8-63 stated that the specifications indicated by him suited his particular job requirements. He added that the specifications were only a general guide to the type of the machine required by him and that the generalised specifications as worked out by D.G.S.&D. would defeat this basic principle to be essentially observed while procuring plant and machinery. He reiterated, however, that he would be prepared to accept a suitable alternative. He did not refer to the question of issue of a Proprietary Article Certificate.

4. In view of the Indenter's reply, and the consideration that the indents were operational, both were bulked together and a tender enquiry was issued on 15-10-63 on the basis of the specifica-

tions furnished by the Indentor. The tenderers permitted to offer accessories suitable for their own makes. Tenders were opened on 8-11-63. Offers were received from 8 firms. The 4 lowest offers were as follows:—

Name of firm	Price quote in Rs. (including accessories).	D/P Ex. Works
		Months
1. M/s. Heatly & Greaham Ltd., Calcutta.	Rs. 74,831 f.o.b. U.K. Port	6/8
2. M/s. Perfect Machine Tools Co., Bombay.	Rs. 1,21,125 f.o.b. San Francisco.	3/4
3. M/s. Machine Techno (Sales) Pvt. Ltd., Calcutta.	Rs. 1,66,440 c.i.f. Calcutta.	9/12
4. M/s. Francis Klein & Co. Pvt. Ltd., Calcutta.	Rs. 2,14,188 f.o.b. European Port	25

5. The tenders were sent to the DGOF for comments with a letter dated 27-11-63. The DGOF sent a reply dated 8-2-64 (with which he endorsed a copy of the Comments of the user factory). The 3 lowest quotations were not acceptable as the machines offered were Tool Room and not Production Jig Borers and complete accessories were also not offered. Various other defects were also mentioned. The DGOF accordingly recommended the 4th lowest offer of M/s. Francis Klein for Production Jig Borer Model KB-3 which was according to specifications and also included the required accessories.

6. These views were analysed in the DGS&D. The DGOF's recommendation was for an Oerlikon Jig Borer Model KB-3 which was a double column machine with a certain table size and other detailed specifications. Since these features had not been adequately brought out in the Tender inquiry. It was felt that it would be necessary to draw up revised specifications based on the features of Oerlikon's Model KB-3 machine, for which the DGOF had ultimately shown a preference, although he had mentioned Oerlikon Model R-2 in his original indent. It was felt that invitation to tenders afresh would give likely tenderers an opportunity to quote for a machine having the characteristics of the machine actually required by the Indentor. M/s. Francis Klein's quotation specified a delivery period of 25 months ex. works while the other tenderers had quoted deliveries ranging between 3 and 12 months. It was hoped that retendering would also elicit better deliveries than

had been offered by M/s. Frances Klein. Reviser specifications were accordingly sent to the DGOF with a letter dated 20/21-3-64. The revised specifications were accepted by the D.G.O.F. with certain amendments. All the features which had not been adequately brought out in the original indent and the original tender enquiry were incorporated in the second tender enquiry. The number of accessories was also reduced from 22 to 12. A tender enquiry was issued on 18-6-64 on the basis of the revised specifications as accepted by the DGOF.

7. Tenders, which were opened on 17-7-64, were received from 8 firms. The two lowest offers were technically not acceptable. The third lowest offer was from M/s. Francis Klein. The machine was precisely the same as the one offered against the first tender enquiry, but the f.o.r. Indian port price, exclusive of accessories, was increased from Rs. 1,95,450 to Rs. 2,12,180. An improved delivery of 17 months was offered as against 25 months against the first Tender Enquiry. This machine was considered acceptable. An advance order was placed on 29-8-64 and the formal A/T was issued on 30-11-64.

8. The matter has been further examined in consultation with the Ministry of Defence, Department of Defence Production. The Audit para raises the following three points:—

- (i) There was a difference of views between the indenter and the DGS&D with regard to the specifications given in the indent which was not resolved before the issue of the first tender enquiry.
- (ii) Government was put to an extra expenditure of Rs. 37,000/-.
- (iii) There was a difference of views between the indenter and the DGS&D with regard to selection of a suitable machine from the quotations received against the first tender enquiry.

9. The following comments are offered on the points mentioned above:

- (i) The matter has been further examined and it is considered that the specifications incorporated in the retender are not the same as the specifications incorporated in the first tender enquiry. It is also felt that the difference of views should have been resolved if necessary by raising the level of discussion, before the first tender enquiry was issued. It should be stated, however, that the indent was an operational one and the stipulated delivery period

was only 4 months. Considering the imminent danger still facing the country, the tender enquiry was issued without further delay on the lines desired by the indenter.

- (ii) While it is true, as pointed out by Audit, that an extra amount of Rs. 36,954/- had to be paid for procurement of the 2 machines, it might be mentioned that the various exchanges of views leading to the issue of the second tender enquiry were not entirely without advantage. It was possible to meet the indenter's requirements at an overall cost of Rs. 5,17,998 as against Rs. 6,05,212 which would have been paid for machines and accessories against the first tender enquiry. Furthermore, the delivery period was reduced from 25 to 17 months, although it must be admitted that, because of the time that had elapsed between the first and the second tender enquiries, the actual saving in time according to the quoted date was only about 3 months.
- (iii) While the technical differences which arose with regard to the specifications should have been resolved before the issue of a tender enquiry, having regard to all the circumstances of the case, it is now agreed that a purchase could have been made from amongst the quotations received in response to the first tender enquiry, by negotiations if necessary. However, at the time, it was considered by the DGS&D that since the indenter had shown a preference for a machine involving a delivery of 25 months ex-works, there was sufficient time to reconsider the question of issuing a fresh tender enquiry to the correct specifications.

10. This note has been seen and concurred in by the Ministry of Defence (Department of Defence Production).

N. R. BANSOD,
Joint Secretary.

No. 43(16)/65-PI.

NEW DELHI;

The 30th September, 1966.

APPENDIX XIX

[Reference Para No. 4.187 of the Report]

Extracts from the file of the India Store Department, London file No. S, 34871/52, on the subject of Loco Boilers 'P' Class. (Note recorded by India Supply Mission, London).*

Further to meeting held at I.S.D. on 1st March, 1962 with representatives of Ateliers Belges Reunis S. A. to discuss the question of liquidated damages in respect of contracts P.R. 3813, P. R. 3814 and P. R. 3815—letter as at Dock 207 has now been received from the manufacturers.

On reference to the Minutes of the meeting (Doc. 201) it will be seen that they agreed to look into the whole question of delay and make a counter-offer on the basis of their findings to the figure of £28,000 which we informed them was recoverable under the terms of the contract.

In letter at Doc. 207 firm do not make any mention of a counter-offer whatsoever, and only repeat what has been stated in previous correspondence and again at the meeting viz. that delay was due to (a) delay in finalizing the drawings (b) delay in inspection in sub-contractor's works and also in their own Works.

As pointed out to the firm at the meeting we have already made allowances for any delay cause by the late approval of drawings when arriving at the figure of £28,000 and in regard to inspection delay, the S.R.I.O. and D.D.G. (I) have categorically stated that 'no delay due to inspection can be accepted' at Minute 200A.

One significant point observed from the letter at Doc. 207 is the fact the firm have not contested our figure of £28,000 (a copy of our calculation was handed over at the meeting) and therefore it can be presumed that they do not have any valid objection to the computation of figure of liquidated damages arrived at.

*Forwarded under the Deptt. of Supply and Technical Development. O.M. No. P. II-7(7)/65 dated 15/17-12-1966.

It is felt that little, if anything, will be gained by going once again over old ground i.e. the question of delay on account of inspection etc. and in the circumstances it is proposed that having told the supplier the maximum figure leviable in terms of the contract viz. £28,809/13/-, we now address the firm and inform them that after giving further consideration to the issue it has been decided to reduce our claim for liquidated damages to £4,150 (i.e. 10 per cent of calculated. Liquidated Damages plus extra freight of £1269.8.2).

As stated in Minute 192 giving the full details of the case the contracts in question did not incorporate a 'predetermine' Liquidated Damages Clause, and as we hold no money belonging to them any amount of damages claimed will have to be paid voluntarily or by litigation.

'A' Even if firm do not agree to pay the reduced Liquidated Damages of £4,150 it should at least induce them to make a counter offer which it is hoped will cover the actual loss of £1,269.8.2 suffered by way of extra freight.

Sd/- D. BLAIN,
Rly.

ADP(MR).

15-10-1962.

Sd/- B. A. SHENOY.
17-10-1962.

DDG (CRS)

This is the best course under the circumstances the main point being we don't hold any of the firm's money.

Sd/- Illegible
19/10

Sd/- Illegible
22-10-1962.

DG

Before we make any offer at all to firm as at 'A' above, I feel we should remind them in a suitable way of their promise to make a counter offer to the figure already given to them together with its break up. L.A. should approve such a draft before issue. Put up draft before the file proceeds.

Sd/- S. S. JAGIA.
22/10

We may agree with this approach suggested by DG above.

Sd/- Illegible.
24-10-1962.

Sd/- Illegible.
25-10-1962.

Extract

(Note recorded by Legal Adviser)

We must primarily follow the Govt. orders on the recovery of L.D. under cl. 7 of CNT 3 Revised. But there is no presumption that either we should not or will not be able to recover them in such cases. To my knowledge, no firm has so far clearly raised a defence that cl. 7 is not binding as it has not been incorporated into the contract. Cl. 7 has served and will continue to serve its purpose of providing a strong motive for our contractors to expedite delivery. This particular firm has not raised any legal objection to the levy of L.D. I do not see, therefore, why we should not be able to recover much L.D. from them as we are required to do under Government orders.

The draft at Doc. 208A is in order from legal point but I.S.D. will please see that the Govt. instructions are strictly carried out in this matter regarding the amount of the L.D. to be recovered.

Sd/- V. S. DESHPANDE.

26-10-1962.

L.A.

DG, ISD.

LEGAL ADVISER'S DEPARTMENT

I have thought over again and again (and I regret the consequent delay in dealing with the file) the draft letter at Doc. 212A, but could not reconcile myself to our saying in one breath that our ordinary claim against the firm is £28,000, and saying in the next breath that we are prepared to reduce it to £4,000 just to maintain good relations with them. Firstly, this would show that we are not at all serious about our claim, and secondly, our dealing with our claim so lightly may give the impression that it lacks in merits. If we are serious in making the claim, we should systematically examine the explanation for delay given by the firm in their letter at Doc. 207, and at the meeting, the minutes of which are at Doc. 201, show how the explanation is incorrect, and repeat our demand. We may invite a counter-offer again without mentioning a figure and threaten them with litigation in case the firm does not come to terms.

2. But it is not clear if we are still within limitation in litigating the claim. From minute 192, it would appear that the deliveries took place from November 1955 to October 1956. The causes of action for liquidated damages for the delays in these different deliveries thus arose then. Under English law, the period to file a suit for liquidated damages is ordinarily 6 years. This has already passed from November 1961 to October 1962. It is probable that it

is the Belgian law, and not the English one, which may apply to this case, and the suit (if any) would be filed in Belgium. I am not aware of the period of limitation under Belgian law. Hoping that it would still be available, we may adopt the course of writing to the firm as suggested above. In the meanwhile, we may ascertain from our Embassy in Brussels whether anything could be done to persuade the firm to pay us something by personal contact at that end, and also to inform us if our claim in Belgium will be still in time.

Sd/- V. S. DESHPANDE.
L.A.

DG. ISD.

15-1-1963.

INDIA STORE DEPARTMENT, LONDON

With reference to the observations of the Legal Adviser in minute 213, it is pointed out that the contract under examination did not incorporate a "predetermined" L/D Clause" and therefore any recoveries to be made will have to be effected under clause 7 of ISD SCC. Although it is true we did (*vide* Doc. 193) inform the suppliers that a sum of £28,809 was recoverable in accordance with the terms of the contract, this was not in itself a clear for L/D but a starting point for negotiation at a later date as at the time this figure was given to them, we had not fully examined reasons for delay.

2. The reasons for delay (all of a technical nature) have been examined in details by SRIO and R.A. and whilst the SRIO has categorically stated that no delay in inspection can be accepted (minute 200A refers) the Inspecting Officer *vide* minute 45 did confirm the statement made by the firm "that the delay in taking those boilers in hand was quite beyond their control" was substantially true due to the following reasons:—

1. Very heavy rejection of boiler plates.
2. Rivets failed to pass the required tests and had to be rejected in the first instance.
3. M/s. Loya (sub-contractor) who produced the flanged plates failed to leave extra material for test pieces on the flangings. As a result a certain amount of time was lost in clarifying the issues involved.

4. Certain other minor delays on account of other sub-contractors resulted in the start of the work in M/s. F.U.F.'s boiler shop being put back several months.

3. In view of the above we may now inform the firm that the reasons for delay which they have been unable to substantiate are not acceptable as we do not agree that there was delay in inspection. We may add here "a view which was communicated to you as long ago as on 10th May, 1955 and not refuted by you" and also seeing that the main contractor is responsible for the shortcomings of his sub-contractors and ask them to make a counter-offer threatening them with litigation if the firm cannot see their way to meeting us on the subject. In this connection, a draft letter is placed at Doc. 214-A. L.A. may please see this for approval before issue.

4. Regarding the period of limitation under Belgian Law a study has been made of the various opinions given on the famous "ANGLOFRANCO BELGE" contract but unfortunately nothing could be un-earthed on this subject whatsoever. In the circumstances the draft letter at Doc. 214-B may please be vetted by L.A. before the same is issued to our Embassy in Brussels.

5. Regarding the limitation aspect, it is pointed out that deliveries were made against this contract between November 55 and October 56 and in this connection the suppliers were aware of our claim for LD by February 1961 (Doc. 193) which is within the six year period and further more as long ago as January 1957 (Doc. 124) suppliers were informed that the Govt. and suffered loss as a result of delay in the completion of the boilers. Between January 1957 and October 1958 (doc. 161) three further letters were issued to the suppliers asking them to give their reasons for delay and it was not until December 1958 (Doc. 1963) that they answered our letter on this question.

6. In view of the position as reported in para 5, L.A. may please examine and say whether under English Law our claim would be tenable having been made before the elapse of the six year limitation period.

Sd/- D. BLAIN
19-2-63

Sd/- T. M. TURAI SWAMI
19-2-63

Sd/- S. S. JAGGIA
20-2-66

DFA is in order. In English Law, we must go to court or arbitration within six years. This we have not done. Did this firm at any time 'acknowledge' their liability to pay us L. D.? If not, there was nothing to save limitation from expiry.

Sd/- V. S. DESHPANDE

21-2-63

(Legal Adviser)

LEGAL ADVISER'S DEPARTMENT

It has already been pointed out in my predecessor's note (vide Minute 215) that if there is no acknowledgement of liability by the Contrators then according to English Law, the claim is barred by limitation and there is nothing to save limitation from expiry. It appears that there was no such acknowledgement by the Contrators. My predecessor further pointed out in Minute 213 that it is probable that it is the Belgian Law, and not the English one, which may apply to this case and the suit (if any) would be filed in Belgium.

The legal position in the matter is as follows:—

When the intention of the parties to a contract, as to the law governing the contract, is expressed in words, this expressed intention determines the proper law of the contract, and in general, overrides every presumption. When the intention of the parties to a contract with regard to the law governing the contract is not so expressed in words their intention is to be inferred from the terms and nature of the contract, and from the generally circumstances of the case, and such inferred intention determines the proper law of contract. In the absence of the countervailing considerations, the following presumptions as to the proper law of a contract have effect:

First Presumption:—Prima facie the proper law of the contract is presumed to be the law of the country where the contract is made (*Lex loci contractus*); this presumption applies with special force when the contract is to be performed wholly in the country where it is made, or may be performed anywhere; but it may apply to contract partly or even wholly to be performed in another country.

*Second Presumption:—*When the contract is made in one country and is to be performed either wholly or partly in another, then the proper law of the contract may be presumed to be the law

of the country where the performance is to take place (*lex Loci solutinis*). This presumption may, in exceptional cases, be applicable only to certain aspects of the contract. It will usually apply to the mode of performance as distinguished from the substance of the obligation.

It would thus appear that before any categorical advice as to whether these particular contracts would be governed by the Belgian or English law considerations of various factors would be necessary viz. (1) whether there was any mention in the contract conditions as to which law will govern those contracts, (2) where the contracts were entered into, (3) where the contracts were performed viz. delivery effected and various other works under the contracts performed, payment in pursuance of the contracts made. So the various provisions of the contract under consideration will have to be examined.

It is found that Belgian Law applies and a suit may be filed in Belgium, we will have to take advice of a counsel conversant with the Belgian law on the question (1) whether the claim for liquidated damages would be sustainable under the Belgian contract laws and (2) whether the claim for the liquidated damages can still be pursued in Belgian court or through arbitration. In other words whether the claim is not barred by the Belgian law of limitation. This will naturally involve some expenditure.

(4 & 5)—Before we incur such expenditure it may be advisable once-again to scrutinise whether the excuse put forward by the contractors for delay were justified and whether the Govt. suffered any actual loss due to delayed delivery.

While the matter is thus being examined by the ISM, it may be worthwhile to negotiate with the contractors regarding recovery. The presence of a representative of the Railway Inspection Wing may be helpful.

Sd/- S. S. KAR,
7-12-1964.

BOGIE UNDERFRAMES

Extract taken from I.S.D., London file No. S. 355/56
regarding 1956/57 R.S. Programme

365 BG Underframes, (India Store Department)

237

As in other cases of delay and where LDs were *prima facie* leviable, we relied on clause 7 of Our Standard Conditions to permit us to withhold payments on account of LDs.

L.A. may please see firms' letter of 8-4-1958 (doc. 235) and say whether there is any force in the argument in para 6, according to which we would not be entitled to withhold monies.

Sd/- illegible

16.4.

Sd/- T. M. DURAISWAMI,

18.4.

LEGAL ADVISER'S DEPARTMENT

I am afraid there is a good deal of force in the contentions of the firm in their letter of 8th April, 1958. The Contract is subject to the I.S.D. Standard Conditions of Contract, except as modified by Clause 20. Para (b) of Clause 20 provides for the payment of balance of 10 per cent within sixty days after arrival of the stores in an Indian Sea Port, and para (c) further assures this payment by Reserve Bank of India guarantee. For some technical reasons Reserve Bank guarantee was not issued, but assurance was given by our letter of 30th July, 1956 (Doc. 4) that the ISD will authorise the Reserve Bank of India to pay the balance as and when payments fall due in accordance with Clause 20(b) of the Contract.

Clause 20(b) of the Contract therefore modifies the general provisions of the Contract and consequently the right conferred by Clause 7 of the general provisions to deduct liquidated damages from payments due to the Contractor stands modified. It appears to me, therefore, that we are bound to make the balance payment within sixty days of the arrival of the stores in an Indian Sea Port and the firm furnishing the bank guarantee to cover the warranty under the Contract. Separate action will have to be taken for recovery of L.D. due under Clause 7 of the Standard Conditions.

Sd/- G. A. SHAH,

L.A.

22-4-1958.

I am very grateful to L.A. for his comments in minute 238 on pre-page. It will be appreciated, however, if he would kindly reconsider his views in the light of the following facts:

Clause 19 of the contract says: "In accordance with the India Store Department S.C. of C. except as modified in Clause 20 below." The implication of the statement is that Clause 10 of the I.S.D. conditions (payment clause) was modified by Clause 20 of the contract, that is to say, by waiving the stipulations contained in Clause 10 we automatically abrogated our right, contained in that clause, "to the deduction of any amount for which the contractor is liable under this contract or any contract in respect of which the H.C. acts as agent". Nevertheless there is nothing in the contract in writing or by implication to indicate that Government's rights under Clause 7 of I.S.D. Standard C. of C. have in any way been compromised. Clause 7 of our S.C. of C. states in unambiguous terms: "the Purchaser may withhold any payments until the whole of the stores have been supplied and they may deduct or recover from the contractor, as liquidated damages....."

In the light of the above I feel that the firm cannot compel us to pay the monies due to them until the question of liquidated damages is settled. This is an important point that should be settled forthwith because practically all Rolling Stock orders are placed in indetical terms and, if we concede our rights to this firm, the news will soon get round and others will follow suit.

As this is, in my opinion, a very important policy matter D.G. may also kindly see at this stage before file goes to L.A.

Sd/- T. M. DURAISWAMI,

24-4-1958.

LEGAL ADVISER'S DEPARTMENT

"Clause 20 of the Contract modifies not only Clause 10 of the Standard Conditions of Contract, but also Clause 7 thereof. But even assuming that Clause 20 modifies Clause 10 regarding the payment, such modification would exclude right to "the deduction of any amount to which the Contractor is liable under this Contract" provided therein. This liability of the Contractor arises under Clause 7 and some other clauses. In fact, Clause 10 gives effect to the right of deduction conferred by Clause 7. Consequently, modification of Clause 10 by guaranteeing full payment automatically excludes all

rights of deduction arising under any provisions of the Standard Conditions of Contract. If any such right is to be reserved, it would not be enough to provide that the terms of payment would replace Clause 10 of the Standard Conditions. But an express provision must be made in the said terms of payment regarding deduction of liquidated damages before guaranteed payment is made by the Bank or by the Chief Accounts Officer. You are perhaps aware that the Reserve Bank has refused to make any deductions in the absence of express provision in the guarantee in this respect.

Sd/- G. A. SHAH,
L.A.
1-5-1958

A comprehensive submission on the levy of L.Ds. will be submitted as soon as the policy to be adopted by this Department has been agreed with M.W.H.S.

2. Meanwhile, it will be recalled that the wording of clause 19 of the contract left us with no alternative to paying the firm in full, although firm had become liable to L.Ds. The position was reported to the Railway Board on 9-5-1958 (doc. 245) and their reply of 7-8-1958 (doc. 268) may please be seen.

3. The proposal made by the Railway Board is reasonable except that the extract marked 'A' from clause 10 of our S.C. of C. should be omitted. On the other hand, the Railway Board have in their most recent Advance Letters of Acceptance included the following provisions:—

(A) 351/58.

Clause 1.—The formal contract will be placed on you by the D.G., I.S.D., London in the usual standard terms and conditions, subject to the following

Clause 15.—The payment, subject to clause No. 17, shall be made as follows:—

- (a) 90 per cent on shipment etc.
- (b) 10 per cent within 60 days etc.

Clause 17.—*Liquidated Damages.*—In the event of the Contractor's failure to have stores ready for delivery by the time or times respectively specified in the letter of Tender, the purchaser may withhold any payments until the whole of the stores have been supplied, and they may deduct or recover from the Contractor, as liquidated damages, and

not by way of penalty, the sum of two percent on the contract price for each and every month or part of a month, during which the Stores may not be ready for delivery.

But if the delay shall have arisen from any cause which the purchasers may admit as reasonable ground for further time, the purchasers will allow such additional time as they may consider to have been required by the circumstances of the case. . .

B. 352/58.

Clause 1.—The formal contract will be placed on you by the D.G. ISD London in the usual standard terms and conditions, subject to the following

Clause 13.—The payment, subject to clause No. 14 (liquidated damages) shall be made as under

(a) 90 per cent on shipment etc.

(b) 10 per cent within 60 days after receipt in an Indian Sea Port

Clause 14.—Liquidated Damages.—In the event of the Contractor's failure to have Stores ready for delivery by the time or times respectively specified in the letter of Tender, the purchaser may withhold any payments until the whole of the stores have been supplied, and they may deduct or recover from the Contractor, as liquidated damages, and not by way of penalty, the sum of two percent on the Contract price for each and every month, or part of a month, during which the Stores may not be ready for delivery.

But if the delay shall have arisen from any cause which the purchasers may admit as reasonable ground for further time, the purchaser will allow such additional times as they may consider to have been required by the circumstances of the case.

2" 4. It appears to me that the practice followed by the Railway Board, as detailed in para 3 above, is preferable to that suggested in doc. 268. To quote the portion of Clause 10 of S.C. of C. relating to our right to make deductions also in respect of other contracts would give undue emphasis to this aspect and it will be sufficient to reply on our stipulation that I.S.D. Standard Conditions shall govern the contract.

5. L.A. may kindly advise whether wording as shown in para 3 above adequately protects Government's interests and whether he agrees with the proposal in para 4 above.

Sd/- A. MAISEL,
14-1-1959.

I do not quite agree with 'Z' above as mere stipulation "that I.S.D. S.C.C. governs the contract" leads the suppliers to believe wrongly, that the presence of penalty clauses in a mere formality and will not be enforced when they are at fault. Naturally, during or after completion of contract, our claims for L.D. are resorted fiercely. L.A. is fully aware of this from the various cases and discussions with which he was connected. L.A. may also kindly advise on the point raised by Mr. Maisel in his minute 280.

Sd/- T. M. DURAI SWAMI,
20-1-1959.

I agree that the provisions as indicated in para 3 of the Min. 279 would adequately cover our right to levy and recover Liquidated damages from price payable to the contractor. If it is desired to reserve similar right from payments due under other contracts reference may be made to Cl. 10 of Standard Conditions of contracts in the first line of payment clause e.g.

"Payment, subject to Cl. 17 (or 14) hereinafter & cl. 10 of the Standard Conditions, shall be made as follows . . ."

The real difficulty in making deductions arises when the payment of 90 per cent or 10 per cent is assumed by Bank Guarantee without reference to the right of deduction. Some form must be evolved in consultation with Reserve Bank of India to give effect to this right as the Bank would be reluctant to issue guarantee which would involve them in calculation of Liquidated damages in particular Contract and/or any other contract. F.A. may like to make some suggestions in this respect.

F.A.

Sd/- G. A. SHAH,
21-1-1959.

Copy of O.M. No. 19/59 dated 8-5-1959:

Min. 283.—I discussed the case with F.O. today, when he pointed out that the new O.M. (copy at doc. 290) deals with the problem touched on in minutes 281/282. When writing to Rly. Bd. about the

matter covered by minutes 279, 280 and 1st para of min. 281, a copy of O.M. may be sent to Railway Board with the suggestion that when negotiating contracts they endeavour to get firms to agree to furnish a guarantee on the lines of the draft.

As regards the last para of O.M. 19/59, one safeguard—where firms refuse to furnish the counter-guarantee—is not to extend the validity of the Reserve Bank Guarantee. With this in view, contracts which provide for the issue of a Reserve Bank Guarantee should stipulate that, in the event of delay in delivery for any reasons whatever, the extension of the validity of the Reserve Bank Guarantee beyond the contractual delivery period shall be entirely at the discretion of the purchaser.

The agreement of the tenderer should, of course, be sought before issue of the contract.

This course may also be suggested to the Railway Board. L.A. may kindly approve the wording at 'A'.

Sd/-

21.5.

Sd/- T. M. DURAISWAMI,

25/5.

D.D.G. (CRS)

F.O.

L.A.

F.A.

Sd/- illegible

25/5.

After the expiry of the Guarantee period, the Guarantee automatically lapses and it is in our discretion whether to extend or not. Provision at 'A' on prepage therefore would be redundant.

Sd/- G. A. SHAH

27-5.

LEGAL ADVISERS DEPARTMENT

DDG has apparently thrown a challenge to the efficacy of law and efficiency of administration in enforcing contractual obligations.

2. So far as the efficacy of law is concerned, we have to determine the validity of the liquidated damages clause 23 of the contract.

"The validity of this clause depends on the law by which the contract in general, and this clause in particular, is governed. The contract is between the President of India and the German firm. Obviously the contract was negotiated in India, and the Advance Letter of Acceptance dated 27th April, 1956 (Doc. 1A) was issued by the Ministry of Railways (Railway Board) from New Delhi, under the Signature of the Deputy Director, Railway Equipment, Railway Board. Clause 4 of this Advance Letter indicates that the offer was also made to the Railway Board direct. Consequently, the offer and acceptance having taken place in India, the contract would be deemed to have been concluded in India and only a formal contract was issued by the DGISD, London.

3. The first question is whether by virtue of this formal contract being issued by ISD from London, the proper law governing the contract would be English law, as *lex loci contractus*, i.e., the law of the place where the contract is entered into. It is now a well settled principle that in order to bring the general principle of *lex loci contractus* into operation, there must be some genuine and substantial connection between the parties, or the terms of the contract, or the acts of performance, and the place from where the contract was issued. No such connection can be established with U.K., as none of the rights or duties of the parties have to be performed in U.K., apart from formal payment. The relation of this contract with U.K. is therefore indirect, if not fictitious, and consequently in my opinion the proper law of the contract would not be English law.

4. It follows, therefore, that the proper law of the contract would be either German law or Indian law. Between these two systems of law, the Indian law will apply to the interpretation and material validity of the contract as *lex loci contractus*, but in respect of particular obligations, the law of the country where a substantial part relating to that obligation is performed will be applicable. It is observed by Lord Fisher, M.R. in *Chatenay v. Brazilian Submarine Telegraph Co.*, (1891) 1 Q.B. 79:—

"If the contract is to be carried out partly in another country than that in which it is made, that part of it which is to be carried out in that other country, is taken to have been intended to be carried out according to the laws of that country."

In other words, in the absence of express provisions in the contract, the parties would be deemed to have intended to submit the transactions to the law of the place of performance of the particular obligation.

5. In this case the Bogies were to be manufactured and delivered FOB German port. The delay in delivery relates to this contractual obligation and consequently the validity and enforceability of the clause relating to L.D. for delay will, *prima facie*, be governed by the German law. Though I am not an expert on German law, I had occasion to discuss this subject with German lawyers and have read some articles on it. The German law, following other systems of Continental law, does not recognise the English distinction between L.D. and penalties and attach great sanctity to the contractual obligation. The courts consider that it is not in the interest of the Public policy to interfere with a bargain freely entered into solely on the ground of inadequate appreciation by the parties of the amount of damage likely to ensue from the breach of contract, unless the penal clause is considered exorbitant or offends the principle of good faith and good morals. In an article "Penalties, L.D. and Penal Clauses in Commercial Contracts" by Peter Benjamin, Assistant Legal Adviser, United Nations Economic Commission for Europe, appearing in the *International and Comparative Law Quarterly*, Volume 9, Part 4, for October 1960, it is stated that the penal clause enjoyed great popularity in Germany because of two distinct factors. The first is that the burden of proof is shifted by means of penal clauses from the creditor to the debtor and the creditor is solely required to prove the existence of the circumstances giving rise to the penal clause operations. The second factor is that these clauses do not preclude the creditor from claiming any additional damage that they may be able to prove above the damage provided in the penal clauses. In view of this position, I am of the opinion that if a legal action is taken, we shall be able to recover a substantial portion of the damages calculated under clause 23.

6. The next question is what would be the venue of action? Obviously the action can be instituted in Germany where the Contractor has the place of business. But it is also possible that the Indian court would have jurisdiction on the basis of *lex loci contractus* and the action can be instituted in India. The Indian courts however apply the German law for determining the validity and enforceability of the particular obligation relating to L.D. for the reasons set out above.

7. Apart from these legal considerations as D.G. has rightly pointed out, we must in the first instance make an endeavour to come to an amicable settlement on the basis of the calculations suggested above. If however, a test case is to be made, it is necessary to

obtain German Counsels opinion or discuss the matter personally with him.

Sd/-G. A. SHAH,

LA

2.1.61

While I was studying this case with a view to obtain the opinion of a German Counsel on German Law as to whether we would be able to enforce our claim for Liquidated damages, our solicitor, Mr. De Silva told me that we can have an expert on German Law in London itself. To get expert opinion here would be more convenient than getting it from West Germany. I detained the file for some time to allow Mr. De Silva to complete the statement of case in the English Electric case. But he told me today that this case may also be sent to him right now. He may please prepare a statement of case for the opinion of the expert Counsel on German Law.

2. Some of the questions on which the opinion of Counsel is to be obtained are:—

- (i) Which law governs the contract, particularly clause 25 thereof stipulating the payment of L.D. for delay in delivery according to German conflict of laws?
- (ii) Whether the said L.D. clause will be upheld under the German law if the suit were to be filed by the Purchaser against Messrs, SEAG, Siegen, West Germany, in a German court?
- (iii) What defence would be open to M/s. SEAG in such a suit and what are the chances of their success?
- (iv) To what amount of L.D. would the Purchaser be entitled against M/s. SEAG?
- (v) Would M/s. SEAG be entitled to make any counter claim against the Purchaser. If so, on what grounds and for what amount? Would the Purchaser be able to resist such a counter-claim on the ground of Sovereign immunity of a foreign State in a German Court? What would be the Counsel's advice about the desirability of filing such a suit by the Purchaser in a German court? What are the

chances of success or failure of such a suit all things considered including the sympathy of the court?

- (vi) Whether a German Court would take jurisdiction to try this suit? If so, which court or place?
- (vii) If a suit is filed in India, and a decree obtained therein, would such a foreign decree be recognised as valid in Germany, or would it be open to any objection, such as lack of jurisdiction, or any other ground? Can it be said that M/s. SEAG carry on business in India through an agent or otherwise, or reside there?
- (viii) Have M/s. SEAG got sufficient assets from which the decree which may be obtained against them can be satisfied?

Sd/- V. S. DESHPANDE,

LA

2 4.10.61.

Mr. De Silva

This file has been received back from the solicitors after more than 1½ years. In the meanwhile I was pursuing it constantly and was kept informed of its progress (or the reasons why it could not progress). Briefly, opinion on German Law was first sought from Dr. Mann a noted German Lawyer here. He went on postponing it. Ultimately, the case was withdrawn from him and given to M/s. Payno, Hicks, Beach & Co. They sent it to Germany and at last we have the opinion of Dr. Faruborough of Dusseldorf at DOC. 366. In para (X) therein limitation is said to be 30 years. This gives us time to process our claim with the firm. We may agree to Mr. De Silva's advice of first sending to the firm letters as at DFA's at DOCs. 369 and 368 and await firms reply before taking further action.

Sd/-

10.5.63.

Post Script.—If full facts about our claims are stated and references to documents given, I would be able to improve upon Mr. De Silva's draft of the notice of the claim—which is somewhat general.

Sd/- V. S. DESHPANDE,

10.5.63.

Our claim for L.D. is as high as £125,686·3·10d, though we are trying to settle it so that we are not compelled to litigate it in West Germany. Mr. Blain says that the London agents of the firm say that the firm are going to send somebody to talk to us in view of the notice sent to them by our Solicitors.

2. In the meantime, German Counsel have sent a stiff bill of £163·13·0d for the advice on German law given by them. The advice is valuable as it assures that our claim is in time and is good, particularly if we can back it by proof of damage due to delay in delivery. There is no way to get the bill reduced, so it should be paid.

3. Thereafter, will ISD please write to the indenter and obtain full details of all possible damage sustained by delay in delivery? Indenter should be told that proof of some damage is very desirable if the claim is to succeed in West German courts.

Sd/- V. S. DESHPANDE.

LA

3.12.63.

A number of claims were pending for consideration on the question whether the clauses in our purchase contracts governing the payment of L.D. were capable of enforcement or whether that would be regarded in the nature of penalties by the Courts.

I understand a series of meeting took place between the previous Legal Adviser, Mr. V. S. Deshpande, and the Solicitors and this case was selected out of several cases of L.D. for consideration and expert advice as to the right to recover L.D. from firms, especially European firms. The claims in most of these cases were of a substantial order.

The proposal which was first discussed was whether it would not be possible to file suits under the purchase contracts in India and having obtained decrees in Indian Courts to seek to enforce these decrees by transfer to the appropriate Court having jurisdiction where the Contractors carried on business. This and other points needed clarification. Our Solicitors were therefore asked to take up

this German case as a test case and to obtain opinion as to the position under German law relating to L.D. The Solicitors were requested to investigate the merits of the claim and also obtain opinion of German Counsel on German Law (vide minutes Nos. 362 and 363).

They were originally instructed to obtain opinion from Dr. Mann, a well known German Counsel practicing in London. After numerous meetings and a lapse of several months when Dr. Mann was too busy to deliver an opinion, Solicitors were requested to withdraw the papers from him and to resubmit them to another German Counsel. The whole process or discussions had to be carried out again with another German Counsel, Mr. Leign-Howard, but as the matter proved too technical for him he in turn submitted the papers to Counsel in Germany, and eventually an opinion was obtained from Germany.

The Solicitors point out that their attendance to the then Legal Adviser, and the two Counsel exceeded 30 hours and they had also to persue approximately 2000 follios.

In view of the above the fees of the Solicitors amounting to £ 157.10.0d may be considered reasonable and your sanction may be given for the payment.

Sd - S. S. KAR.

LA

12.1.65.

The opinion of the German Counsel is at Doc. 366 (Flag 'P'). The gist of his opinion is:—

- (1) that the German Law would apply,
- (2) that German Courts would entertain claim for L.D. but may restrict the same to actual damages sustained on account of delayed delivery,
- (3) that there is good chance of success but the last word must rest with the Court,
- (4) that the District Court of Siegur, Germany would be competent to try the case, and
- (5) that the period of limitation would be 30 years.

In view of the legal opinion, the Solicitors were requested to proceed with the recovery of our claim for L.D. and a formal notice

of claim was sent by them to the firm in May, 1963. As the firm desired an amicable settlement the same was discussed in a meeting with the firm in January 1964. The firm has offered 10 per cent, £ 6,000 based on their calculations of L.D. of £ 60,000 as against our figure of £ 125,000. The matter is still under negotiations by the I.S.M. with the firm and a meeting is likely to be arranged early to finalise the matter.

Sd/- S. S. KAR,

LA

19.1.65.

S.E.A.G.

ELEGENER EISENBAHNBEDARFT AKTIENGESELLSCHAFT

(21b) Dreis-Tiefenbach

Kr. Siegen I.W.

864.

To

J. D. Shukla, Sqr.

D.G., ISD., London,

Vk./Ausl./Pl/Kr.

**365 Bogie Coaching Underframes for India—Contract
R/1315/S.355/56, dated 18-6-1956.**

Dear Sir,

We refer to the discussion which you very kindly granted to Mr. Marcar, Managing Director, and Mr. Carruthers of our London Agents, The Stahlunion Company Limited, and to our Mr. Pietsch on 28th March, 1958.

We were advised by Mr. Duraiswami and Mr. Maisel that outstanding payments against the 10 per cent balance of the contract value are being withheld until the question of liquidated damages has been finalized and that at present no indication can be given with regard to the possible date of such settlement.

We regret that we cannot accept this decision and we would request you to once again give this matter your careful consideration.

According to Clause 20(c) of the contract you have undertaken to arrange with the London Branch of the Reserve Bank of India to give us a Guarantee in the form of a letter assuring us that our claim of the percentage of the contract amount due, i.e. of 90 per cent of the contract value and of the balance of 10 per cent will be met within the specified period. We would like to mention that such an assurance by the Reserve Bank of India was never given to us with regard to the balance of 10 per cent, as the assurance which

was eventually sent to us by the Reserve Bank of India on 1st January, 1958 mentioned that payment of the balance would be made against a certificate from the D.G., I.S.D., a stipulation, which, in fact, annuls the guarantee. We have, however, the assurance, contained in your letter of 30th July, 1956 that you will authorise the Reserve Bank of India to pay us the balance 10 per cent as and when payments fall due in accordance with the contract.

In the discussions on 28th ult. it was mentioned that you are entitled to withhold payment in view of clauses (7) and (10) of the Standard Conditions of Contract C.N.T. 3.

Contract No. R|1315|355|56, however, specifies, that the Standard Conditions are modified by Clause (20), which contains the stipulation, that unrestricted guarantees will be given for payments of the total contract amount. Any retentions or deductions are, therefore, not acceptable under the terms of the contract and we request you to note that the overdue amounts will bear interest at a rate of 8 per cent p.a. from the date when payments were due.

An early settlement would oblige.

Yours faithfully,

Sd|—SIENGENER EISENBAHNBEDARF AG.

C/and through

the Stahlunion Co. Ltd., London.

PAYNE, HICKS BEACH & CO.

SOLICITORS

10, New Square,
Lincoln's Inn, W.C. 2

Our Ref: ELH/GB.

Dated 20th March, 1963

Dear Mr. da Silva,

Re: Indian Government claims.

We enclose herewith copy of an Opinion received from Dr. Farnborough at our offices in Dusseldorf.

As soon as we receive the file, which has been posted to us under separate cover, we shall sent it over to you by hand.

We also enclose photocopy referred to under paragraph (xii) of the said Opinion.

Kindly let us have your further instructions.

Yours sincerely,

Sd/-

Illegible.

V. A. da Silva, Esq.,
(Basement) 7, New Square,
London W. C. 2.
BY HAND.

*14th March, 1963 9/La

Messrs. Payne, Hicks Beach & Co.
(Mr. Leigh Howard)

Re: *Government of India/Siegener Eisenbahnbedarf*

Your ref: ELH/GB

Reference your memo of 11th inst. We have now had an opportunity to consider this matter and we can give you a preliminary opinion as hereunder:

We think that in giving our opinion we should in the first place answer all questions which have been laid down in the last summary of Mr. V. S. Deshpande, the Legal Adviser to the India Government in this matter.

(i) *Governing Law*

Under the rules of the German conflict of laws there is no statutory provision governing this question. However, all leading commentaries are agreed that, if nothing has been laid down by the parties concerned either in writing or verbally, the law of the party, who has to deliver the goods is the governing factor (the technical term under German law is "*Recht des Erfüllungsortes*"—Law of the place of delivery—).

As it is stipulated in the contract—clause 14 fob North Sea—port at purchaser's option—there can be in our opinion no doubt that German law would apply.

(ii) Would the liquidated damages clause be upheld under German law?

Generally speaking German law does object to penalty clauses in general. However, there is no distinction between the term liquidated damages and penalty clauses. The penalty clause under German law gives the parties a title to receive the penalty and to claim such penalty without submitting proof that in actual fact any damage has arisen through the fault of the other party. This is contrary to the general principle of German law where damages can only be claimed to the extent of such damages as they are proved.

In accordance with S 348 of the German Commercial Code a penalty, which has been promised by a merchant or firm, cannot be reduced by the Court. The provision of the German Civil Code giving the Court the authority to reduce a penalty laid down in S 343 of the German Civil Code does not apply to business transactions.

(iii) Defence open to SEAG

The defence open to SEAG, as we can see it at present, would have to be of a general and of a special nature. The general nature would be the objection that the penalty has not been forfeited as the delay had been caused by force majeure or any other circumstances beyond the control of SEAG, also they could submit that the delay had been caused through the fault of the Indian Government.

Further objections could be that the penalty is too high considering the actual damages sustained by the Indian Government and/or considering the amount of the contract involved.

Such arguments could be based upon the general term of contravention against bonus mores and it would be for the Court to consider whether such objections could be upheld. We are of the opinion that the changes of success under this heading for the defendants are slight, however, as in all such cases the last word will rest with the Court.

(iv) Amount of liquidated damages

Generally speaking, the amount of liquidated damages due to the purchaser is governed by the contract, and the parties and the Court are in the first place, bound by the terms agreed between the parties. In our opinion and particularly considering that this case will be tried in German Courts it would be of great assistance, if the purchaser could give full particulars of the damages actually sustained, because of the delayed delivery. This will impress the Court and will strengthen considerably the case, at the same time being a valuable assistance in order to rebut the defence that the penalty agreed is too high considering the actual losses of the purchaser and further considering the profits realised by SEAG under the contract.

(v) Chances of counter claim

We cannot see any point under which a cross petition could be filed by SEAG. The purchaser has fulfilled his obligations under the contract and the contract as such has been finalized. Should, however, such a counterclaim be filed by SEAG, the purchaser could not object on the grounds of Sovereign immunity, this principle is not accepted by German Courts where even the German Federal Republic is sued on many occasions. Apart from this the Court could certainly hold that that a party which claims the right to sue cannot object to being sued or countersued at the same time.

(vi) Advice about the desirability of filing a suit and chances of any such suit

Our advice is that there are good chances of success, however, as we have said above the last word must rest with the Court. Generally speaking, we have not found in a variety of cases, where we act for foreign firms, that German Courts are biased in favour of German firms. However, we must stress again that it is very desirable for the Court to be convinced that damages to the extent claimed have been suffered by the purchaser, even though the law does not provide for such proof to be submitted.

(vii) Jurisdiction and Court and place of jurisdiction

Competent to try the case would be the District Court of Siegen, any appeal would go to the Court of Appeal in Hamm, and finally the Supreme Court of Appeal in Karlsruhe is competent to hear any review.

(viii) Court fees, lawyers fees, deposits

Under German law the fees are governed by the official scale of fees binding Courts and lawyers. If the full amount of damages in claimed the fees for counsel in the first instance would amount to appx. £1250., the Court fees to appx. £1000., the fees for the Appeal Courts would be appx. and additional third higher. In case of the action being lost the claimants will have to pay fees for counsel for the defendants, which are appx. the same as the fees for counsel for the claimants.

Under German law foreign firms suing in German Courts are bound to lodge security for costs and under this heading the claimants might have to lodge approximate £4500. The security may be lodged through guarantee of a bank.

Sometimes agreement can be reached with the defendants for a test case to be brought and only part of the damages to be claimed in order to save costs, however, we feel that in this particular case such course is not open to the purchaser because it will be one of the main points to be considered by the Court, whether the amount of damages claimed is permissible under the contract generally and in accordance with the objections raised by the defendants, therefore, if only part of that claim would be raised it would not mean that the balance would eventually be granted by the Court.

(ix) Enforcement of Judgment obtained in India

As far as we are aware (further research is being made) there is no reciprocity agreement between Germany and India, therefore, any Judgment given by a Court in India is not enforceable in German Courts. The primary objection to a Judgment given by a Court in India would be lack of jurisdiction.

(x) Limitation

We have gone into the question of limitation and we are of the opinion that in accordance with the provisions of Article 195 of the German Civil Code the claim is subject to the General rule of limitation after 30 years. Article 196 of the German Civil Code, which provides for a short limitation after 2 or 4 years respectively, does not apply. This provision refers to claims for delivery of good whilst the purchaser's claim in this case refers to claims arising out of delayed delivery of goods. In short, whilst the vendor has a claim for the purchase price, which is barred after 2 or 4 years, the purchaser has a claim for delivery of goods, which is not subject to

these short periods of limitation. This also applies to all claims connected with the delivery of such goods.

(xi) *Reservation of claims*

In accordance with Article 341 of the German Civil Code penalties cannot be claimed if the goods have been delivered and accepted without any reservation being made by the purchaser, that he will uphold his right to claim the penalty, though he has accepted delivery. We have examined the file and found that with the letter dated 13th May, 1958 (page 249 of the file) the purchasers have paid the balance "without prejudice to their rights to recover liquidated damages due under clause 7 of the contract." This clause is in our opinion sufficient to uphold the right to claim damages by the purchaser.

(xii) *Assets and legal description of SEAG*

We have obtained through our bank information regarding SEAG, and we enclose for confidential use a photostat copy thereof. You will note that under a decision made on 21st September, 1962 the former public company has been changed into a limited Company. We feel that there is no danger that any Judgment obtained against the SEAG would not be met.

We must point out again that our opinion is to be considered as preliminary, which needs further clarification by your clients, further examination of the file, particularly as regards the objections raised by SEAG and further legal research. However, we take it that this preliminary opinion gives your clients sufficient material in order to consider the general merits of the claim and the chances of success.

We are returning the file, however, we must have it back in the event of any further opinion being required.

Yours,

APPENDIX No. XX

[Reference Para No. 4.200 of the Report]

Statement showing payments made by the High Commission of India, London/India Supply Mission, Washington in respect of Government and Public Sector Undertakings for which re-imbursement had not been made by undertakings till December, 1965.

Name of the Undertaking	Period of Payment	Value (in lakhs of rupees)
Heavy Electricals, Ltd., Bhopal	June, 1963 to September, 1965.	744.88
Andhra Pradesh State Electricity Board.	February, 1963 to August, 1965.	2.65
Hindustan Shipyard, Visakhapatnam.	February, 1964 to June, 1965.	13.86
Visakhapatnam Port Trust, Visakhapatnam.	December, 1964 and January, 1965.	5.68

(B) Statement showing cases of delays in the re-imbursement of the amounts by the Public Undertakings, etc., from April, 1963.

Name of the Undertaking	Period of payment	Month in which re-imbursement was made	Period of delay in months	Amount (In lakhs of rupees)
Hindustan Shipyard, Visakhapatnam	Sept., 1963	June, 1964	9	1.25
Do.	May, 1964	Nov., 1964	6	2.32
Praga Tools Corporation Ltd., Hyderabad	May, 1963	July, 1963	2	2.12
Do.	January, 1964	May, 1964	4	0.55

1	2	3	4	5
Visakhapatnam Port Trust . .	October, 1964	February, 1965	4	2.08
Andhra Pradesh State Electricity Board .	August, 1964	March, 1965	7	1.21
Do. . .	August, 1963	March, 1965	19	1.70
Do. . .	June, 1964	March, 1965	9	1.15
Do. . .	April, 1964	December, 1964	8	0.58

APPENDIX No. XXI

[Reference Para No. 4.217 of the Report]

DEPARTMENT OF SUPPLY AND TECHNICAL DEVELOPMENT

Note showing action taken relating to streamlining the procedure of making recoveries from non-Government parties.

Recommendations

The Committee are perturbed to note the magnitude of the amounts involved, especially the loss of interest which amounted to more than Rs. 21 lakhs during 1963-64 alone. (This amount has been calculated at the nominal rate of interest of 3.75 per cent only. If the amount is calculated at the market rate of interest, it would be much higher). The Committee feel that it is high time that Government reconsidered the whole matter and reverted to the system of obtaining a deposit from local authorities, in advance, so that Government may not continue to lose huge sums of money annually. Simultaneously the procedure of making recoveries from these non-Government parties should be so streamlined as to ensure payment within a period of seven days of the receipt of demand and charging penal interest in cases of default.

[S. No. 123 (Para 10.45) Appendix I of the 54th Report of PAC (III Lok Sabha)].

DEPARTMENT OF SUPPLY AND TECHNICAL DEVELOPMENT

Action taken:

With regard to the liquidation of existing outstanding amounts and ensuring prompt payments in future, a number of measures have been taken from time to time. For example, if payments remain outstanding for a month, the Pay and Accounts Officer would bring such cases to the notice of the Chief Pay and Accounts Officer, who will write to the Chief Accounts Officer/Financial Adviser of the defaulting party. In case there is no response from the party concerned, within a period of 60 days, the Chief Pay and Accounts Officer will bring such cases to the notice of DGS&S/Department of Supply, who will, in turn, write to the concerned Administrative Ministries/State Governments.

General Instructions have been issued to all concerned that unpaid amounts should be paid immediately failing which interest @12% per annum would be charged from the day the amounts fell due. It has also been impressed upon all concerned that a claim raised against them, in future, should be paid within the specified period of 7 days of the receipt of demand notice from the Pay and Accounts Officers concerned and to settle, discrepancies, if any, at a later date.

It has also been made clear that in case of consistent defaults, Post Deposit facility would be withdrawn without any further notice. Encouraging replies have been received from several Ministries'/States that large sums have been paid by them in respect of the outstanding amounts.

As regards extending of Post Deposit facilities to the new Corporations, etc., recent requests received from them through Ministries/State Governments or directly from Companies etc. for post deposit facility are not being acceded to. They have been asked to avail themselves of pre-deposit facility, if they so desire.

43/9/64/PI.

Dated 5.10.66.

Sd/-

K. RAM,

Secretary to the Govt. of India.

APPENDIX No. XXII

[Reference Para No. 5.65 of the Report]

MINISTRY OF FINANCE

Note re: the delay in the Commissioning of the Security Paper Mill at Hoshangabad.

The Security Paper Mill is being set up at Hoshangabad with the twin object of conserving foreign exchange which is now required for importing bank note paper from U.K. and of eliminating the dependence on a foreign supplier for this commodity which is vital for the needs of the economy. This is being set up in collaboration with Messrs. Portals Limited of U.K. who are our present suppliers of paper for printing paper money. The contract with Messrs. Portals was entered into in March, 1962, when it was envisaged that the Mill might be commissioned within a relatively short period of about 2½ years. Unfortunately, this estimate was not a realistic one. Account was not apparently taken of the three monsoons each lasting for about three months which intervened between 1962 and 1964 when practically no construction work could be done. Even in a highly industrialised country like U.K. where all facilities for setting up of a paper mill are locally available, the Scottish Pulp and Paper Mill in Scotland could be set up over a period of over 3 years only. In regard to the Security Paper Mill, the following additional factors have resulted in the delay in completion of the work on the Project and in the commissioning of the Mill:—

(a) The Central Public Works Department who were to be entrusted with the job of construction of the civil works required for the Project took some time in making the organisational changes necessary for proper and speedy supervision of work on the Project. The arrangements could be finalised only by the beginning of 1963, though a Division with Headquarters at Delhi had started preliminary work on the Project in April, 1962 itself.

(b) The CPWD had considerable difficulty in getting suitable contractors for undertaking construction work in an out-

of-the-way place like Hoshangabad. They had to invite tenders for the same item of work several times and were, for instance, unable, for nearly eight months, to locate, through the normal processes of inviting tenders, a reliable contractor to undertake the work relating to the main mill building and had ultimately to award the contract by negotiations for commencement of work on 1st October, 1963 with a stipulation to complete the work within 15 months. (Efforts were made to entrust the entire construction work within the security premises of the mill to a single reputable agency with a view to avoid inviting tenders for individual items of work and thereby save in construction time. However, the National Buildings Construction Corporation—a Government of India Undertaking—which had initially come forward to undertake this work, subsequently regretted its inability to do so).

- (c) Difficulties were experienced in making recruitments to certain senior appointments in the project. For instance, a requisition was sent to the UPSC in March, 1962 to select a Chief Engineer for the Project. The Commission advertised the post twice, but were unable to make a selection. Explaining this, they wrote to this Ministry in September, 1962 as follows:—

"The Commission feel that there is a very limited field which can supply persons with the required experience, and due to the sudden expansion of the paper industry in the 3rd plan even this available field seems to have been fully utilised in the private sector. Considering the difficulty in finding a suitable candidate from within the country possessing the prescribed qualifications, the Commission advise that the services of a specialist may be obtained from abroad for a suitable period under one of the Technical Aid Schemes or on salary basis. A condition that he would train suitable persons attached to him in the details of the specialised trade in paper manufacture, particularly the type for which the factory is being put up, should form part of the contractual commitment".

Thereupon a request was made to the Government of U.K. under the Colombo Plan for the services of an expert to

hold this post. M/s. Portals Ltd., of the U.K., the technical collaborators for the project, came forward to lend one of their senior officers as such an expert, and this officer arrived in Hoshangabad in March, 1964, i.e., nearly two years after the move to recruit a Chief Engineer was first initiated. This delay in the recruitment of the Chief Engineer affected the programme for the ordering of the plant and machinery for the project, particularly those to be procured indigenously, and the contractor for the main factory building was also handicapped to some extent in as much as certain mechanical details which had to be taken into account in carrying out the civil works, particularly machine foundations, could not be furnished to him in time in the absence of the Chief Engineer, on the spot.

- (d) There were delays in the ordering of certain items of equipment having long delivery periods viz. Rag Boilers and Supper Economic Boilers. The delay arose mainly on account of the fact that in order to save foreign exchange, it was decided to have the boilers fabricated in India with the minimum of imported components. In the process of assessment of suitability of Indian firms, their capacity to fabricate and to erect the boilers, the assessment of imported components involved in the indigenous orders and release and of foreign exchange therefor and the finalisation of the technical specifications etc. considerable time was lost and the orders could be placed by the DGS&D only in October, 1964, against the indents placed on them in May-June, 1963. Even after the award of the contracts for these items, the suppliers concerned sought repeated extensions of the delivery dates and these were agreed to by the DGS&D.
- (e) Right from the time of commencement of the work on the project, there had been a persistent shortage of building materials like cement and steel. The position became more difficult after the declaration of the Emergency and there were times when the shortages became so acute that a temporary suspension of the construction work seemed the only solution. Although with the help of the Department of Iron and Steel and the State Trading Corporation and by direct contract with the cement and steel suppliers,

we tried to keep up the supplies, shortages in one form or other persisted through-out the construction phase.

- (f) There had also been some delay in the shipment from the U.K. of certain items arising out of the conflict with Pakistan and more recently there were delays due to the Seamen's strike which has delayed the completion of the electrical connections required for the machines.
- (g) There has been, in recent months, an acute shortage of copper in the country and due to this the project is having difficulty in getting the copper tubes and strips required for its internal water supply system and for providing earthing connections to its various machines.

A. T. BAMBAWALE,

Joint Secretary,

Ministry of Finance,

Department of Economic Affairs.

Note regarding present position of the construction and setting up of the Security Paper Mill at Hoshangabad.

The Security Paper Mill would have four paper making machines capable of producing 2700 tons of currency and bank note paper per annum. All civil works including the Main Mill Building have been practically completed and orders for plant and machinery required have been placed and most of the components for three of the four machines have been received at site. The fourth machine unit is also expected to be received shortly. Erection work of the machinery is on hand and in respect of two of the four paper making machines considerable progress has been made. Arrangements for recruitment of production staff are on hand and the finishing end

of the Mills have started functioning from the last week of November, 1966, with the help of untrimmed imported paper. Two of the four machines are now expected to commence trial runs by March-April, 1967 and the other two machines by about June-July, 1967.

A. T. BAMBAWALE.

Joint Secretary to the Govt. of India.

APPENDIX NO. XXIII

Summary of main Conclusions Recommendations

Sr. No.	Para No. Report	Ministry Deptt. Concerned	Conclusions Recommendations
1	2	3	4
1.	1.7	Ministry of Finance	<p>The Committee note the measures proposed to be taken by the Ministry of Finance to achieve closer approximation between budget estimates and actual expenditure and to improve control over expenditure. They hope that the position would be kept under constant review. The Committee would watch the results through future Audit Reports.</p> <p>The Committee regret to note that the bulk of the savings was surrendered at the end of the financial year, although under the rules, savings occurring within a grant/appropriation are required to be surrendered as soon as the possibility of such saving is envisaged without waiting till the end of the year. The Committee have noticed this disconcerting feature year after year. They desire that necessary instructions should be issued that the rules in this regard are strictly followed by the Ministries.</p> <p>The Committee desire that the Government should take an early decision on the Committee's recommendations suggesting that a practical trial should be given to the healthy principle enunciated in Article 292 of the Constitution regarding fixation of a limit by Parliament on public borrowings.</p>
2.	1.12	do.	
3.	1.15	do.	

1	2	3	4
4.	1.21	Ministry of Finance	<p>The Committee desire that the final review of the remunerativeness of the various undertakings etc. financed from the foreign loans based on the financial results of the year 1965-66 should be completed on the lines indicated by the Committee. The review should cover all the running undertakings etc. financed from foreign loans and in cases where it is not possible to measure the profitability or foreign exchange earnings/savings, this fact may be indicated in the review.</p>
5.	1.25	do.	<p>The Committee feel concerned to note that the burden of repayment of principal and interest of the present loan would be heavy during the Fourth and Fifth Plan periods, which may further increase as a result of fresh loans.</p>
6.	1.31	do.	<p>The Committee desire that the Ministry of Finance should take necessary steps so that the accruals of assistance from PL-480 fund should be utilised properly and expeditiously. As far as possible the delay in the finalisation of Agreements for new projects should be minimised. The Ministry of Finance should also keep a closer watch on the progress of execution of the projects financed from this assistance.</p>
7.	1.35	do.	<p>The Committee notice that the Ministry have conducted a review of the Public Accounts Committee Report of some of the States and this review does not cover State Audit Reports which was also desired by the Committee. According to Audit the study made by the</p>

Ministry of the Public Accounts Committee Reports is also not comprehensive and excludes a number of important cases commented upon in these Reports. The Committee have no doubt that State Audit Reports and the Public Accounts Committee Reports contain useful information which has a bearing on utilisation of Central assistance by the States concerned. The Committee therefore, desire that the Finance Ministry should conduct a more comprehensive study of the State Audit Reports as well as Public Accounts Committee Reports thereon as early as possible. The Committee would like to know in due course the corrective action taken as a result of this study.

1.36 do.

The Committee also desire that such a study should be made a regular feature for future to keep a watch on the utilisation of loans and grants given by Central Government to State Governments.

1.37 do.

The Committee would also like to know the action taken by the State Governments on the instructions issued by the Ministry in October, 1964, pursuant to their earlier recommendations, that with effect from the year 1965-66 the final adjustments of Central assistance to State Governments for Plan Schemes would be on the basis of the audited figures of expenditure.

8. 1.40 do.

The Committee note that in 1961 it was decided that the rates of interest on loans advanced to industrial undertakings in the public sector should, by and large, be comparable with the interest rates on which first class companies in the private sector obtained their loan requirements. The Committee feel that the rates of 5 to 6 per

cent for loans ranging from 2 to 15 years fixed by Government prior to 1st May, 1965 and also the rates of 6 to 7 per cent fixed from 1st May, 1965 are not quite comparable with the then prevailing and the present rates paid by the first class companies in the private sector. The Committee, therefore, desire that the Ministry should examine this aspect further. The Committee stress that in order to have a true picture of the financial working of the Industrial Undertakings in the Public Sector, the rates of interest chargeable from them should more be realistic.

9. 1.42 Ministry of Finance

The Committee desire that the matter should be pursued and the finalisation of the terms and conditions of repayment of loans given to the Banks in Goa which has been already delayed should be expeditious.

10. 1.48 do.

The Committee note that from 1962-63 Government are giving loans to the Shipping Development Fund Committee for a period of 15 years. They desire that the Ministry should examine whether the earlier loan given for an indefinite period could not be converted into a fresh loan to be paid after a fixed period, because the Committee feel that repayment of the amount borrowed at a specified date or time is the chief characteristics of a loan.

11. 1.54 do.

The Committee feel that in view of the fact that the coins in question were rare pieces, the sale price realised i.e. Rs. 18,000 was not at all reasonable, although it may have been more than the in-

ternational price of the gold content in them. This matter should be carefully looked into.

12. 1.56

do.

The Committee desire that the question of subjecting the collections of National Defence Funds made through non-official bodies to normal audit should be examined in consultation with the State Governments and the Comptroller and Auditor General of India. The Committee also desire that the submission of outstanding statements of expenditure from the Citizens' State Councils should be pursued more vigorously with the State Councils concerned.

13. 1.58

do.

The Committee would like the Ministry to ensure that so long as the guarantee given by Government on the loan is operative, the financial interests of the public exchequer are fully safeguarded. They also desire that in view of the sound financial position of the company the question of cancellation of the guarantee given by Government on the loan taken from the State Bank of India should be taken up with the Bank.

14. 2.11

Ministry of Health
and Family Planning

From the evidence given and from the documents submitted to the Committee, it appears that no assessment of the capabilities of the Samaj was made for holding these Camps for motivation purposes before the grants were sanctioned for the first time in 1962-63. The Committee feel that before sanctioning grants to private bodies for new schemes, the concerned Ministry should ascertain about the standing, capacity, resources etc. of the body to undertake the task.

1	2	3	4
15	2.12	Ministry of Health and Family Planning	<p>In the note furnished at the instance of the Committee (Appendix VI) it has been stated that all the 183 camps conducted by the Bharat Sewak Samaj in 1962-63 were held in Rural Areas and there was no overlapping of activities with any other agency in the camps organised by them. But the Committee learn from the notes submitted earlier by the Ministry that the Samaj in their own communication to the Health Ministry (Appendix) proposed to locate these camps at Block Headquarters and Urban Slums. This indicates, therefore, that the Samaj did not follow their own proposal submitted to the Ministry of Health originally for holding these camps at particular locations. The Committee fail to understand as to why Urban Slum Areas escaped the attention of the Samaj while holding camps in other areas.</p>
15	2.15	do.	<p>The Committee find from the statements (Appendix VI) that during the years 1962-63 and 1963-64 as well as in 1964-65, there is a great difference between the amount asked for by Samaj for holding Family Planning Orientation Camps and the amount sanctioned by the Department of Health & Family Planning. During 1962-63 and 1963-64 amount sanctioned was even less than 25% of the amount actually asked for. This seems to indicate that the Samaj had been asking for amounts on the basis of unrealistic appreciation of their own capacity and capability to hold these camps. In the opinion of the Committee, this further points to the need of making an assessment of the capacity to undertake a particular scheme by any organisation before giving grant-in-aid.</p>

do.

2.16

The Committee also find from the statement that the Bharatiya Gramin Mahila Sangh and Indian Red-cross have been getting amounts asked for by them from year to year. The Committee, note, however, that the grants given to other organisations have been comparatively much less when compared to grants given to Bharat Sewak Samaj. The Committee feel that in view of these facts the Department of Family Planning may make an effort to ascertain whether these bodies are prepared to undertake more and more family Planning orientation camps.

do.

2.19

The Committee regret to note that the conditions specifically prescribed in the letter of the then Health Minister dated 9th April, 1962 (APPENDIX IV) addressed to the Vice-Chairman of the Bharat Sewak Samaj for the conduct of Family Planning Orientation Camps were not strictly followed. Even the Department of Family Planning did not seem to attach importance to these conditions and treated them as mere hopes expressed. The Committee are unable to accept this view. In their opinion laying down these conditions specifically was beneficial for purposes of avoiding waste of resources, duplication of efforts and for assessing the impact of the scheme. If the Department of Family Planning felt that these conditions were not capable of being strictly enforced, these should have been modified subsequently instead of allowing such conditions as laid down by the Minister himself to remain on paper only.

do.

2.21

One of the conditions to be fulfilled by the samaj before asking for grants for these camps was that, 'subsequent grant will depend on recommendations received from the Administrative Medical

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Officers'. The intention of this provision seems to be that the State Family Planning Officers would recommend these camps after making an independent assessment of the results achieved by these camps. But from the copies of recommendations (APPENDIX VI) received from various States it is apparent that these recommendations were issued on receipt of requests from the Samaj for holding these camps in a routine way without assessing the impact of earlier camps and their achievements. The Committee therefore, desire that the Ministry should devise a system whereby while recommending the case of an organisation for holding Family Planning Orientation Camps, an assessment of the utilisation of earlier grants, the impact of the camps held in the previous year, the shortcoming etc. should also be brought out by the Officers concerned.

Ministry of Health
and Family Planning

2.23

In the note (APPENDIX VI) submitted at the instance of the Committee, it is stated that "from 1964-65 onwards the grants were sanctioned to all the voluntary organisations in accordance with the recommendations of the State Family Planning Officers. Even prior to this, in some cases, grants were recommended by the State Family Planning Officers". The Committee would urge that the practice in such cases should be uniform in the case of all organisations, every year.

do.

2.28

In the note (APPENDIX VI) furnished at the instance of the Committee, it is stated that "No percentage of overhead expenditure was

prescribed while sanctioning grants to voluntary organisations other than Bharat Sewak Samaj". The Committee are surprised to note this. They do not understand why, when it was decided that the overhead charges should not exceed 5 per cent to 7 per cent of the gross expenditure in the case of Bharat Sewak Samaj, it has not been made applicable in all other cases.

20 2 2 do.

The Committee note that even after incurring an expenditure of Rs. 12,74,000 on Family Planning Orientation Camps Programme by a single voluntary organisation the momentum was 'catching on'. They hope that greater efforts would be made by the Department in this regard so that the amount spent are commensurate with the results achieved.

21 2 34 do.

The Committee regret to note this irregular expenditure incurred on providing meals to local campers. What is more surprising is the fact that this irregularity was allowed to go undetected for two years and came to the notice of the Department only at the time of examination of accounts relating to these camps. In evidence it was stated that the intention was that only persons who came from far off places to attend these camps should be provided meals at these camps. The Committee fail to understand why, in these circumstances, clear instructions in this regard had not been issued in time and communicated to the authorities concerned. They hope that the correct practice is now being followed by all the organisations.

22 2 36 do.

The Committee are surprised to find from the note (APPENDIX VI) submitted that the percentage of gross expenditure incurred by the

Bharat Sewak Samaj on supervisory charges during 1964-65 came to 21% of the gross expenditure although in June 1964 formal orders were issued that supervisory charges should not exceed 5% to 7%. This indicates that the Samaj who had incurred about 22% of the gross expenditure on supervisory charges in 1962-63 had again spent 21% of the gross expenditure on supervision charges in 1964-65 thus violating the orders of Government issued in June, 1964 restricting the expenditure to 5% to 7%. The Committee learn from the notes (APPENDIX VI) that the Samaj has been asked to refund the excess expenditure incurred on supervisory charges. The Committee would like to be informed of the final recovery of this excess from the Samaj.

23 2.38 Ministry of Health &
Family Planning.

The Committee regret to learn that the required information is not available in the accounts submitted by other organisations.

24 2.42 do.

The Committee suggest that the Ministry should ask the voluntary organisations to indicate the amounts of local contributions etc. relating to each scheme.

25 2.47 do.

The Committee are unhappy to note that the grants continued to be released to Bharat Sewak Samaj by the Department despite the failure of Bharat Sewak Samaj to submit their "consolidated accounts" as recommended by the P.A.C. in their 34th Report. In spite of the fact that a period of six months was allowed to the Samaj to prepare their accounts, no satisfactory progress has been

made in this regard till now. In view of the fact that sufficient time has now elapsed since when the Samaj was asked to submit their accounts, the Committee feel that unless compliance of the Financial Rule is insisted upon now, it will become much more difficult to ensure compliance with the lapse of time.

The Committee are of the view that the practice of sanctioning a grant for a financial year and then allowing extension of time to spend the amount in the next year should not be resorted to and only so much of the grant should be paid during any financial year as is likely to be expended during the year.

The Committee would like to be informed of the number of Family Planning Orientation Camps held in various States by different Voluntary organisations during the last three years. The Committee are also of the opinion that it is desirable to have periodical reports from the State authorities about the effect of such camps being held.

The Committee feel that it is not necessary to have the accounts of each individual camp audited by Chartered Accountants in view of comparatively small amount of expenditure per camp. They are, however, of the view that test checks of a certain percentage of camps in an area by a chartered accountant should be insisted upon.

The Committee cannot but observe that the practice of getting the amounts relating to these camps counter-signed by the Municipal Health Officer of Delhi Municipal Corporation was meaningless. They are glad to learn that this practice has since been given up.

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1	2	3	4
		Ministry of Health & Family Planning	
2.56			The Committee are also not satisfied with the present procedure whereby the State Family Planning Officers stationed at various State capitals are required to confer-sign the utilisation certificates in respect of Family Planning Orientation Camps held at various centres in the rural areas. They feel that State Family Planning Officers sitting in State capitals are not in a position to check the position, not being on the spot. Therefore, in order to assess whether the work done at these camps was fruitful, apart from the checking of accounts, there should be also an assessment of the achievement and on the spot check. For this purpose the Local Medical Officers attached with these camps would be in a better position to make proper assessment of the achievement.
29	2.58	do.	The Committee would like that the new corrective measure adopted should be given a fair trial and the progress watched.
30	2.62	do.	The Committee feel that there is much leeway yet to be made in the matter of family planning and therefore the efforts of the Department should be to see that the Family Planning Orientation Camps are properly organised and run in the most efficient and economical manner, avoiding any duplication of efforts.
31	2.75	Ministry of Information & Broadcasting	The Committee regret to learn that the Ministry of Information & Broadcasting, the administrative Ministry, continued to release grants to the Bharat Sewak Samaj as directed by the Planning Commission without the Samaj submitting their consolidated accounts as required under the Financial Rules and as per recommendation of

the P.A.C. in their 34th Report (Third Lok Sabha) within a period of six months given to the Samaj for submission of their consolidated accounts.

2.76

do.

While the Committee are glad to be assured by the Secretary of the Ministry of Information & Broadcasting that no further grants would be released to the Samaj until the provisions of the G.F.R. were complied with by that body, they would impress upon the Ministry that an organisation which received huge grants from Government should be in a position to comply with the requirements and conditions of the grant. The greater the delay in obtaining the consolidated accounts the greater will be the difficulty in getting them.

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2.80

do.

The Committee are not convinced with the argument that due to change in the convectorship of the Samaj, it was difficult for them to prepare their consolidated accounts. The Committee fail to understand as to how the change in convenors could be a hindrance to the preparation of consolidated accounts of the Samaj. If such a contention is accepted, the Committee wonder whether in that case the Ministries of Government would ever be able to enforce compliance of the financial rules from the recipients of grants-in-aid.

2.81

do.

The Committee are also not satisfied with the procedure adopted by the Ministry of Information & Broadcasting regarding submission of the consolidated accounts by the Samaj. Apart from the Planning Commission, it is mainly the responsibility of the Administrative Ministries releasing the grants to take up this matter direct with the grantee.

33 Ministry of Information and Broadcasting

In view of the unsatisfactory Plan publicity work done by the Samaj in previous years and in view of the facts disclosed in the recent review of about 63 pamphlets by the Secretary of the Ministry that in about 10 publications the image of the Bharat Sewak Samaj had been projected far more than the Plan publicity, the Committee feel that proper check should be exercised on the activities entrusted to the Samaj by the Government so as to ensure that the Samaj carries on the job efficiently and economically.

With the association of two representatives of the Ministry with the Sub-Committee set up by the Bharat Sewak Samaj for prior scrutiny of the manuscripts of all the pamphlets of the Samaj, it is hoped that only those pamphlets would be brought out as have a direct bearing on Plan Publicity.

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do.

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do.

The Committee regret to find from the Minutes of the Sub-Committee of the Co-ordination Committee on Public Co-operation held on 5th May, 1966 that while the issue of grants to wipe out the deficit, reduction in the per centage of matching grants to be raised and non-curtailement of allocations for Plan publicity to the Bharat Sewak Samaj was decided upon, there was no insistence to ensure the submission of consolidated accounts by the Samaj.

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do.

From the facts disclosed the impression of the Committee is that the percentage of matching grants to be raised by the Samaj itself was decided either without taking into consideration the capability

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of the Samaj to raise such share, or that in order to obtain the grants from the Government, the Samaj knowingly showed their capacity to raise matching grants at a much higher percentage than was really possible.

2.100 do.

The Committee find, however, from the Minutes of the Sub-Committee of the Co-ordination Committee on Public Co-operation dated 5-5-1966 that the representative of the Ministry of Information & Broadcasting had pointed out that the average collections by the Samaj during the proceeding three years on Plan publicity, was over 20 per cent. In these circumstances, the Committee feel that liberalisation of the condition of matching grants was not justified.

36 2.103 do.

The Committee are surprised to find that the amounts of Rs. 87,171 on account of advertisement charges, sales proceeds of books etc. and Rs. 5,764 on account of sundry advances, for the period relating to 1959-64 are still pending recovery. What is more surprising is the fact that as stated in Audit para a sum of about Rs. 74,000 was reported to be irrecoverable. Since a large amount of Rs. 0.74 lakh out of Rs. 1.13 lakhs is reported to be irrecoverable, the circumstances under which the amount became irrecoverable need looking into. The Committee would like to know the latest position of outstandings.

37 3.7 Ministry of Iron & Steel

Since the recovery at the rate of rupee one per ton or had been made by the main producers during the period March, 1964 to August, 1964 and the same has been passed on to the J.P.C. for its organisational expenses, the Committee feel that a recovery should be made from the J.P.C. for the expenditure incurred on the establishment

of the Iron & Steel Controller doing the work of the J.P.C. during the period March, 1964 to July, 1964.

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Ministry of Iron
& Steel

3.9

The Committee note that during the period from 1st August, 1964 till 30th July, 1966, the strength of the staff of the office of the Iron and Steel Controller was reduced by 121 persons belonging to classes II, III and IV. They hope that a constant watch would be kept over the staff requirements in the organisation of Iron and Steel Controller and further economies effected as the work load decreases.

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do.

3.13

The Committee are not convinced with the arguments given in evidence that constituting J.P.C. into a section 25 company under the Companies Act would be an ideal solution to give a legal status to the J.P.C. As the JPC would be collecting a contribution of rupee one per ton or so from the main producers, the Committee feel that it is not quite a correct principle to give such powers to collect a compulsory levy to a company form of organisation. The Committee do not appreciate the plea given in evidence that the JPC had no powers to collect a compulsory charge and it is only the main producers who collect a little additional amount and pass on the same to the JPC. In the opinion of the Committee, the authority to collect a compulsory charge assumes a colour of a tax by whatever name called and hence it should not be entrusted to a company.

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do.

The Committee, therefore, are of the view that the best solution to this problem is to place the JPC on a statutory footing as already recommended by them in para 35 of their 39th Report and para 6.27 of their 54th Report (Third Lok Sabha). Even in evidence, it was stated

that Government are not against forming JPC into a statutory body as such, but they would like to have it only after steel has been completely de-controlled and in the meantime, they proposed to have a company form of organisation. The Committee, however, feel that the interim arrangements proposed to be made by the Government do not in any way supplement their ultimate objective of constituting JPC into a statutory body. The Committee further learn from a note furnished by the Ministry that among the main producers, H.S.L. are in favour of a statutory constitution for J.P.C. rather than a company form of organisation under the Companies Act. The Committee feel that the Government can give the same powers to the JPC as the statutory organisation, as they would like to give it to Section 25 company under the Companies Act. The Committee have not been given any convincing argument for not accepting their previous recommendations and also no strong case has been made out in favour of section 25 Company. In view of this the Committee would like to reiterate their earlier recommendation that the J.P.C. should be converted into a statutory body.

From the note furnished by the Ministry the Committee find that the position of arrears in respect of the period upto 31-12-1965 outstanding against sundry debtors as on 30-6-1966 was as follows:—

	<i>Position as on 30-6-1966</i>
(i) Dues from main producers.	Rs. 15,18,418.73
(ii) Dues from controlled stock holders.	Rs. 1,87,818.20
(iii) Dues from Re-rollers.	Rs. 23,94,215.77
(iv) Dues from firms re: imported steel.	Rs. 1,11,43,126.53
(v) Sundry dues	Rs. 8,301.53

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do.

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3.23

Ministry of Iron
& Steel

The Committee are glad to note that as against the outstanding of Rs. 787.73 lakhs against sundry debtors on 31-3-1965, the Ministry had succeeded in liquidating the arrears substantially and on 30-6-1966 a sum of Rs. 152.51 lakhs only was outstanding against the sundry debtors.

3.24

do.

The Committee, however, find that the progress of the recovery of the dues has not been uniform in all the 5 categories mentioned above. While there has been substantial recovery in the case of dues from the main producers and re-rollers, sufficient progress has not been made in the case of recovery of dues from controlled stockist and on account of the recovery of surcharge on imported steel from different firms. In the case of recovery of surcharge on imported steel, an amount of Rs. 215.90 lakhs was outstanding on 31-3-1965 and on 30th June, 1966 an amount of Rs. 111.43 lakhs was still outstanding. Similarly in the case of dues from controlled stock holders an amount of Rs. 1.88 lakhs was outstanding on 30th June, 1966 as against Rs. 2.64 lakhs on 31-3-1965. The Committee desire that vigorous efforts should be made to ensure expeditious recovery of all these outstandings. The Committee also desire that in order that the arrears do not pile up, a suitable time limit should be fixed for submission of the claims by the firms. They would also like to reiterate their observation contained in para 6.20 of their 54th Report (Third Lok Sabha) in this regard. They hope the Ministry would take a decision on this case soon.

3.25	do.	From another statement furnished by the Ministry, the Committee find that in some cases the claims and counter-claims of the firms and Government pertained to the year as early as 1959-60. This does not indicate a satisfactory state of affairs. The Committee desire that suitable steps should be taken by the Government to settle these old cases.
3.26	do.	The Committee would also like to watch the progress of recovery through future Audit Reports.
41 3.29	do.	The Committee desire that expeditious measures should be taken to finalise the provisional payments. They feel that implementation of their recommendation contained in para 6.20 of their 54th Report would go a long way to solve such problems arising out of delay in submitting claims.
42 3.33	do.	The Committee hope that the High-powered Committee would do the needful to liquidate the remaining 975 cases as early as possible.
43 3.43	do.	It is indeed surprising that the Government agreed to make the payment of the interest by these firms conditional on the inclusion of a special element in the retention price. This enabled the firms to take the view that since no special element was allowed, no interest was legally recoverable from them. The Committee feel that the conditions regarding recovery of interest on these loans should have been more specific <i>ab-initio</i> and not left in vague terms. The Committee also feel that if the conditions regarding recovery of interest had been more specific <i>ab-initio</i> , the necessity of fore-going inte-

rest for the period 1-7-1958 to 31-3-1961 amounting to Rs. 277.48 lakhs would not have arisen.

44 3.47 Ministry of Iron & Steel

The Committee are distressed to find that the procedure for remitting to Government accounts of the money realised by handling agents as cost of the steel imported by the Government of India under Development Loan Fund Agreements was not followed properly. They are surprised to be informed in evidence that for some time the handling agents were permitted first to deduct their own share of the cost of handling and then remit the balance amount to Government accounts. The handling agents apparently took advantage of this and kept to themselves what was not really due to them. The Committee feel that adequate steps/measures were not taken to ensure that realisations were credited to Government Account promptly and the handling agents took advantage of this.

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The Committee also don't appreciate the plea taken by the Secretary Iron & Steel in evidence that the total outstandings according to Ministry was only Rs. 63.15 lakhs and this represented barely 2.8 per cent of the total deals amounting to Rs. 22.74 crores. The Committee feel that such an attitude is more likely to lead to delays in effecting recoveries. The Committee desire that vigorous steps should be taken to effect recoveries in this case.

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The Committee are further perturbed to note that while appointing handling agents the Ministry failed to ensure that the agents furnished bank guarantees as required under the rules and consi-

quently a sum of Rs. 39.48 lakhs remained uncovered by bank guarantees. The most disturbing aspect of the case is that the Department remained indifferent to this question that they even did not know till recently that such a thing had happened. The Public Accounts Committee (1965-66) in para 6.16 of their 54th Report (Third Lok Sabha) had already expressed their dissatisfaction on similar cases, and had impressed upon the urgency of streamlining the procedure prevailing in the office of the Iron & Steel Controller. The Committee feel that the present cases should also be referred to the Departmental Committee suggested in para 6.18 of their 54th Report with a view to examining the circumstances leading to the non-observance of the prescribed rules and also to fix responsibility for such lapses.

The Committee regret to find that even though nearly a decade has passed not much progress could be made by the Ministry in effecting recovery from the controlled stockists and a sum of Rs. 98,000 still remains outstanding. The Committee need hardly to emphasize that the matter should be pursued with greater vigour and with a sense of urgency. They would also like to be informed of the results of the arbitration cases.

The Committee feel that this case should be examined carefully to find out whether the lapse on the part of the office of the Iron & Steel Controller for the non-recovery of two per cent extra remuneration on 609 tons of Steel was *bonafide*. Suitable action should be taken against the official responsible in case some *mal-*

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side comes to notice. They also feel that suitable precautionary measures should be taken to ensure that such cases do not occur in future. The Committee also desire that delay in the office of DGS&D should also be looked into and suitable action taken in the matter.

47 **4.10** **Deptt. of Supply &
Technical Development**

4.10

The Committee feel that the concession of allowing 10% excise duty to large-scale-manufacturers over and above the contractual price of boots, had no justification. This advantage was given to them from the very beginning when the orders were placed with them. The Government policy was to give some advantage to small scale units, i.e., price preference by way of exemption from excise duty but the Ministry gave the advantage only to the large scale manufacturers by paying them in addition to the price of boots, excise duty at 10% *ad valorem*, depriving the smaller units of this advantage even though the small units undertook more work with regard to supply of boots as compared with the larger units which will be evident from the fact that against the pending indent of more than 23 lakhs pairs of boots the small scale units got the orders for 8.62 lakh pairs of boots while the larger units got orders for only 4.8 lakh pairs of boots.

48 417 do.

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The Committee are not satisfied with the procedure adopted in placing further orders. It was stated in evidence that no quotations were invited on the plea that owing to emergency there was no

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time to go through all the formalities. Factually this claim is not sustainable as the first order was placed in December, 1962 while the second order was placed in July, 1963, and the third order in November, 1963 and in between these, there was enough time to call for tenders and complete the usual formalities.

The Committee also do not find any justification for avoiding the calling of tenders on the assumption that the orders being large as compared with the capacity to supply, there was the chance of the prices going up, as no check was also made to see whether the prices quoted were reasonable or they were on the high side and what was the market trend at that time. Although the Secretary of the Department of Supply & Technical Development stated in evidence that as a result of analysis made the opinion expressed was that the market did not really indicate a downward trend, the Committee feel that in October, 1963, the market trend did show that the price level was going down as was evident from the limited tenders invited at that time and yet when the orders were placed in November, 1963, this fact was completely ignored and the orders were placed at higher rates. During the course of evidence when this issue was raised the witness stated, "we shall look into the matter. There might have been an error of judgement.... But we shall certainly look into the matter so that this sort of thing does not happen in future". The Committee also find that the Ministry failed to take advantage of the lower prices when, on completion of the contract by 5 firms at lower rates, the Ministry failed to enquire from them if they could supply more. During the course

of evidence the witness explaining the position stated, "that, as I said, we should have asked".

49 Deptt. of Supply &
Technical Development

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The Committee feel that after the acute state of emergency was over the Ministry should have studied the market trend thoroughly and ascertained from those who had supplied the boots at cheaper rates about their capacity to supply more before placing fresh orders at higher rates. In the opinion of the Committee this was an obvious failure on the part of the Ministry. The Committee hope that the Department would be more careful in placing orders in future in similar circumstances.

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The Committee are surprised to note that in September, 1963, the small scale producers and one of the large scale firms on whom orders had been placed were also allowed an *ex-gratia* increase of Re. 1/- per pair on all supplies to be effected by them on or after 1st September, 1963. The Committee find no justification for this *ex-gratia* increase as the date of delivery was extended beyond September, as stated in evidence, as there was a back log. If there was a back-log it was due to the failure of the firms to keep to the delivery schedule.

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It has been stated in the Audit Para that this *ex-gratia* increase involving an extra payment of about Rs. 1.65 lakhs was allowed as an understanding was stated to have been given to them at the time of negotiating the price that if any other firm were allowed higher

rates, they would also be allowed the same. In the opinion of the Committee this sort of understanding without insertion of any such condition in the relevant acceptance of tender, is highly irregular. Any condition, assurance or understanding in case of contracts must always be supported by proper provision or clauses in the tender and in the contracts.

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The Committee feel that the Government failed to take advantage of the prices going down from October, 1963, onwards, when there was delay in the delivery of goods on the part of some of the parties. The Government should have either cancelled to orders, made a risk purchase or re-negotiate the price. But they did neither of these.

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They are surprised to note however that extension was given to Firm 'A' against two different orders due to delay in inspection and delay in giving packing instructions. The Committee desire that responsibility for this delay should be fixed and prompt action taken against the delinquent officers.

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The Committee also find from the statement that in one case S. No. 14) the A/T was cancelled on 26-9-1963 and entire quantity repurchased on 12-11-1963 at lower rate. Therefore, it is quite clear that the market trend of price level had actually gone down even towards the end of 1963.

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The Committee note that charge sheet has been issued to the person concerned in this case and his explanation has been called for. What, however, passes the comprehension of the Committee

is how all the three letters written by the firm on 10-11-1962, 21-11-1962 and 1-12-1962 were not brought on record and not brought to the notice of a senior officer. They wonder whether there is no system in the DGS&D by which important letters and documents are shown to the officers even at "Dak" (Receipt) stage. In their opinion suppression of documents, specially when they result in loss to the Exchequer or result in a benefit to a party or firm to the detriment of Government interests should be treated as a serious lapse meriting deterrent punishment. The Committee had occasion to comment on a similar case of suppression of document in the office of the DGS&D in para 3.21 of their 64th Report (Third Lok Sabha). They desire, therefore, that a review of the present procedure in the office of the DGS&D should be undertaken immediately and suitable action taken to avoid recurrence of such cases in future.

The Committee learn with surprise that no time was fixed for release of yarn by the Textile Commissioner to the contractors. Copies of A/Ts whenever placed were endorsed to the Textile Commissioner and the firms on whom the A/Ts were placed for blankets made of shoddy admixture approached him for release of necessary yarn. It is apparent that the Textile Commissioner was not addressed at any stage by the Ministry in this regard nor was there any specific clause in the contract to show that the Textile Commissioner was bound to supply yarn to the contractors within a stipulated

period for completing the contracts. This disclosure together with the fact that there was no specific clause in the contract but only "Special Instruction" about release of yarn by the Textile Commissioner indicate that the office of the D.G.S.&D. never realised that the method adopted by them in placing the contracts could only result in delay in supplies. As a matter of fact owing to delay in supply of raw materials (shoddy) some of the firms expressed their inability to supply the blankets within the stipulated period and asked for extension which could not be refused. The lapses in this case defeated the purpose of urgent purchases. As a result, the Government gave the extensions ignoring the price trend in the market. This resulted in incurring extra expenditure of Rs. 27 lakhs which could have been avoided with a little care and forethought.

The Committee fail to understand how the purchase organisation of the Government of India with so many years experience could be so careless in drafting their agreements which contained serious lacunae. Such a situation required to be remedied forthwith.

Another aspect of which the Committee take serious notice is that as stated in the note of the Ministry, "the date of application from firm for release of yarn to the Textile Commissioner; the date on which Textile Commissioner released yarn and date on which the firms already received the yarn are not readily available on A/T files". The Committee are unable to understand how, in the absence of this vital information, the D.G.S. & D. satisfied themselves that the yarn was not received by the firms in time, and that their

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requests for extension were justified. They desire that an enquiry should be held in this case by the Ministry without further delay to find out the lapses and irregularities and responsibility fixed therefor.

53 4.49 Deptt. of Supply & Technical Development

The Committee regret that even after going through the note submitted about justification for allowing extension of delivery periods in certain contracts beyond December, 1963 and for placing orders contemplating deliveries beyond December, 1963 without testing the market, they are not convinced of the arguments advanced. The note also does not specifically state whether the original orders applied to purchases only upto 31-12-1963 or they applied also to supplies beyond December, 1963.

The Committee would, therefore, like this matter to be properly investigated and the result communicated to them.

54 4.53 do.

The Committee are unable to appreciate what purpose the imposition of Rs. 100 only as liquidated damages in a contract valued at Rs. 5.70 lakhs could serve. If there was failure on the part of the firm in terms of the contract, proper damages should have been levied. If, on the other hand, the firm was not at fault there was no justification for levying any liquidated damages—token or otherwise.

It also appears to the Committee that there is no uniformity with regard to levy of liquidated damages by the D.G.S. & D. While it is desirable that each case has to be decided on merits, the procedure should not vary from case to case.

It has been disclosed that the Ministry could not levy penalties for delay in completing the contracts in certain cases owing to delay in inspection of the materials. The Committee would like the Ministry to investigate the reasons for delays in inspection of the material and fix responsibility for the same.

From the note furnished, the Committee are glad to note that in pursuance of their recommendation made in 1964-65 the Government have now decided to appoint a Contract Officer in the D.G.S. & D. and action in the matter has already been initiated. The Committee trust that this appointment will be made without any further delay and that it would result in improving the working of the organisation.

The Committee hope that the Government would finalise the plan to set up a Directorate of Planning early so that the work to organise market research could be started without delay.

The Committee regret that according to the evidence given all the efforts of the Department to get the licence issued by the Textile Commissioner expeditiously were of no avail.

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	4.68	do.	<p>The Committee feel that Government should ensure for future that with regard to finalisation of contracts and their implementation there is proper co-ordination between various Departments and Organisations of the Government which should work as a team and see that delays at intermediate stages are eliminated. If this is ensured it will minimise unnecessary expenditure involved in delayed supplies or purchase of supplies at higher rates.</p>
58.	4 79	do.	<p>The Committee are not aware whether while giving extensions the D.G.S. & D. had reserved the right to claim decrease in price and not to sanction any increase if it takes place in the extended period as required under the provisions of D.G.S. & D. Manual. The Committee would like to know the factual position in this regard and in case the extensions were given in disregard of the provision of the D.G.S. & D. Manual, they would like to know the action taken against the delinquent officers.</p>
	4.80	do.	<p>The Committee are not satisfied with the manner in which the contract for the import of tungsten was handled by the D.G.S. & D. right from the beginning. Some of the failures and lapses are that,</p> <p>(i) There was unconscionable delay of about 5 months in taking purchase decision which resulted in an extra expenditure of Rs. 81,400.</p>

- (ii) There was failure on the part of the dealing officer to refer one of the three tenders to the Inspection Directorate although the point about the grade of the material was of importance.
- (iii) There was failure to make a proper and correct comparison of prices and as a consequence price finalisation was not done and orders were placed with the firm whose rates were higher, resulting in an extra expenditure of Rs. 3.18 lakhs.
- (iv) The verification of the price of 13 shillings 6 pence as quoted by the firm 'B' was not done before the placing of the order because of a flaw.

59. 4.82 Do. The Committee would like to know the final outcome in this regard.

60. 4.103 Do. Since the basis of payment to the Standard Telephone and Cables Ltd. in this case is a certificate to be given by the B.P.O., the Committee feel that a suitable method should be evolved for getting a clear and satisfactory certificate from the B.P.O. If necessary, an opinion from the Ministry of Law may be taken and the case taken up again with the B.P.O. The mode of fixation of the prices and the various factors taken into consideration for that should be clearly spelt out whenever a certificate is received from the B.P.O. The Committee also cannot help observing that such a vague clause regarding assessment of the price payable to the Standard Telephones

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			and Cables Ltd. was included in the contract which was to be in force for a period of 20 years. The Committee hope that due care will be taken in future to avoid inclusion of such vague clauses in agreements.
	4.104	do.	The Committee also desire that the advice of the Attorney General should be obtained regarding the interpretation on the meaning of sub-clause 2 of clause '8' of the agreement with STC Ltd. so that the correct position is made clear to all concerned. It should be clearly brought out whether the Government is required to buy 25 per cent of only such products from STC which are not produced in their factory or whether, even in respect of products which are produced, 25 per cent of the excess requirements have to be purchased from the STC.
61.	4.106	do. ----- Finance.	The Committee desire that the Ministry of Finance should examine the above aspect in consultation with Audit and H.C.L. to determine as to whether the extra cost on 25 per cent of the purchases made from Standard Telephones and Cables Ltd. under the provisions of this agreement should be borne by H.C.L. or by P. & T. Department.
62.	4.112	Deptt. of Supply & Technical Development	The Committee would like to be informed of the results of the recovery of this extra expenditure of Rs. 50,102 and Rs. 17,340 from

firms 'C' and 'D' respectively. They also hope that expeditious efforts would be made to effect recoveries.

The Committee regret to note that as a result of various delays in the office of D.G.S.&D., an avoidable extra expenditure of Rs. 1.78 lakhs was incurred in the purchase of pumps. The Committee take a very serious view of such delays. The Committee also feel that the procedure prevalent in office of D.G.S. & D., as such requires streamlining so that such delays are detected immediately and suitable remedial measures are taken in time.

The Committee also desire to be apprised of the result of the enquiries which were initiated against the officers who failed in their duty to ensure effective scrutiny and supervision in this particular case and the final action taken as a result of the enquiry.

In the opinion of the Committee a purchase could have been made from amongst the quotations received in response to the first tender enquiry, by negotiations if necessary, thus avoiding an extra expenditure of Rs. 37,000. The Committee desire that D.G.S. & D. and D.G.O.F. (the indenter in this case) should examine this case further and fix responsibility for the extra expenditure. The Committee also desire to be apprised of the final action taken in the matter.

The Committee considered it extremely unfortunate that even in the case of an operational indent for Defence requirements, the difference of views between the indentors and the D.G.S. & D. was not

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Defence

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Deptt. of Supply
& Technical
Development

satisfactorily resolved in the initial stages, necessitating calling of fresh limited tenders inquiry. They hope that such cases would not recur.

The Committee regret to state that the information regarding the opinions that the Deptt. of Supply and Technical Development had received which had a bearing on Sections 73 and 74 of the contract Act along with the precedents that had been quoted there is still awaited.

The Committee note that at the end of June, 1966, 9,214 cases of contracts were pending for review in I. S. M. London. Out of 5,718 cases reviewed during the period from 1st April, 1966 to 25th August, 1966, 2,000 cases were closed and an amount of £ 1,000 had been recovered and £ 21,887 were waived. The Committee have also been given to understand that even at the end of August 1966, 3496 cases of contracts were pending for review so far as levy of liquidated damages was concerned. That such a large number of cases (3496) were pending for review, shows that procedure for reviewing such cases requires to be streamlined. The Committee are not convinced with the reason given by the witness in evidence that the procedure of such a review is time consuming as references are required to be made to the different parties.

The Committee would like to be informed of the action taken to streamline the procedure for review of cases of liquidated damages. They also desire that the 3496 pending cases should be reviewed expeditiously.

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The Committee desire that Government should take necessary steps to ensure that there is no departmental lapse in cases involving recovery of liquidated damages. For future at least Government should lay down procedure to review periodical cases of delay in supplies with a view to list out the names of the firms who are habitual in delaying the supply of stores so that suitable action can be initiated.

The Committee feel that a mere recovery of nominal liquidated damages at the rate of 10% of 2% of the value of un-delivered goods by the stipulated date does not serve as a deterrent measure. When the contractors/suppliers know that the clause regarding recovery of liquidated damages at the rate of 2% is not to be enforced and it is only 10% of 2% which is to be recovered, the insertion of this clause in contracts loses all the more its deterrent effect. The Committee realise that there might be some difficulties in providing pre-determined liquidated damages in the contracts, but they do not consider the insertion of the present clause regarding liquidated damages as satisfactory either. They feel that the Ministry of Supply & Technical Development should re-examine the insertion of this clause regarding liquidated damages in the contracts in consultation with the Ministry of Law and place the whole matter on a satisfactory footing. The clause as at present inserted in the contracts, does not serve as an effective deterrent.

The evidence before the Committee did not clearly bring out whether it is necessary to prove the actual damage or injury to

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Deptt. of Supply and
Technical Development
Ministry of Law

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claim the liquidated damages under Section 74 of the Indian Contract Act. The insertion of a clause regarding liquidated damages will have little effect, if proof of damage or loss suffered was required to be given in each case. The Committee feel that the Ministry of Supply and Technical Development & Materials Planning should obtain an authoritative interpretation again from the Attorney General as to whether it is necessary to prove the actual damage or injury while claiming liquidated damages under Section 74 of the Indian Contract Act so as to place the whole thing on a satisfactory footing.

Deptt. of Supply and
Technical Development

Ministry of Railways
(Railway Board)

The Committee regret to find the manner in which the contractual obligations were violated at each stage in this case as detailed below:—

- (i) The letter of credit had to be opened with the overseas suppliers instead of with the contractors (Indian Firm) and the inspection clause had to be deleted from it at the behest of the suppliers as a special case.
- (ii) The contract was entered into on behalf of the Railway Board who needed the goods urgently and yet when the extension of delivery was conceded, the Railways were not consulted in advance and the D.G., I.S.M. in his own discretion gave the extension.

- (iii) The sum of Rs. 77,660 was claimed from the firm as liquidated damages for failure to execute the contract satisfactorily. When even under the Indian usage a sum of Rs. 1·53 lakhs should have been claimed for that. According to the provision in the contract the amount which could be claimed as liquidated damages came to Rs. 15·25 lakhs.
- (iv) The liquidated damages were scaled down without any request in writing from the firm on the basis of a verbal protest lodged by a representative of the firm. As a result, the Ministry recovered Rs. 7,766 plus \$623 i.e. Rs. 10,700 as against Rs. 77,660 claimed originally.
- (v) At the time of scaling down the liquidated damages no account was taken of the loss suffered by Railways for late delivery of the material since the Railways could not assess their loss with any degree of accuracy.

From the above the Committee observe that adequate steps were not taken to safeguard financial interest of Government in this case. The deletion of inspection clause from the letter of credit had no basis except that the I.S.M. showed a special favour to the firm. The firm's argument that the inspection certificates were delayed abnormally had no basis as there was no such complaint from any other similar firm either in the U.K. or on the continent.

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Deptt. of Supply and
Technical Development

Ministry of Railways
(Railway Board)

The Committee also regret to note that the Railway Board could not assess precisely the damage/loss suffered by them as a result of delay in receipt of supplies in this case. The very fact that a large quantity of steel involved in this case was required for the manufacture of wagons could have given some basis to the Railways to work out the amount of the losses suffered by them. It is unfortunate that the Railways did not calculate the loss for claiming the liquidated damages. The net result of all this has been that the firms delayed abnormally the supply of materials and were also let off by a levy of nominal damages i.e. Rs. 7,766 against Rs. 1.53 lakhs leviable under the Indian usage and Rs. 15.25 lakhs which could be claimed as liquidated damages under the terms of contract.

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Deptt. of Supply and
Technical Development

The Committee are of the opinion that the insertion of a clause for liquidated damages in the contract is infructuous if it is not possible to enforce the same.

Ministry of Law

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The Committee therefore, suggest that the Department should again obtain the advice of the Attorney General as to whether it is necessary to prove the actual damage or injury, when there is already a clause of liquidated damages in a contract. In this connection they would like to invite attention of the Ministry to para 4.156 of this report.

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The Committee regret to note that in the case of supply of underframes, the Department could recover only £7,000 against the claim

of £1,25,686 on account of liquidated damages for delay in supplies. The Committee are left with an unfortunate impression that either the terms of contracts were vague or claims as per terms of contracts were not pursued properly with the result that the firms who delay supplies considerably, are not charged liquidated damages as per terms of contract.

The Committee feel that after getting the best legal advice as already suggested, the Government should find out if any change is called for in the contract form as it exist at present.

The Committee feel that had the Government charged some penal interest, on the amounts outstanding from the public undertakings, it would have served as a deterrent and the public Undertakings would not have delayed in making payments.

The Committee are glad to note that the Ministry of Finance have issued revised instructions promptly for payment in respect of order placed through the overseas purchase organisations either direct or against D.G.S.&D. cross-mandates.

The Committee hope that as a result of the instructions for making payments to overseas suppliers for purchases made by Public Sector Undertakings (other than Government Departments) the cases of delays in the re-imbursement of the amounts by the Public Sector Undertakings will be eliminated in future. The Committee hope that the Ministry of Finance would keep a watch over the new procedure to ensure its smooth working.

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Deptt. of Supply and
Technical Development

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Finance

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74 4.218

Deptt. of Supply and
Technical Development

The Committee hope that as a result of the drive, initiated by the Ministry the outstanding amount of deposits will come down considerably and payments will be made promptly in future. They also desire that watch should be kept over the outstandings so as to liquidate them as early as possible.

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5.6

All Ministries, Deptts.

The Committee note with regret the delays in furnishing utilisation certificates by the grantees. The Committee reiterate their earlier recommendation contained in para 80 of their 39th Report (Third Lok Sabha) and regret to note that the efforts of the Ministry of Finance in streamlining the procedure for submission of utilisation certificates in time have not yielded the desired results. The Committee do not appreciate the same arguments for delays being put forward again and again by the different Ministries/Departments and desire that the Ministry of Finance in consultation with C.&A.G. should review the procedure and issue suitable instructions for the guidance of all the Ministries/Departments so that they could speed up the submission of the utilisation certificates.

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Deptt. of Rehabilitation.

The Committee regret to note that the Department of Rehabilitation was too slow in issuing utilisation certificates as will be evident from the fact that the Department could issue utilisation certificates in respect of 24 cases only against 91 outstanding cases. The Committee feel that the Department of Rehabilitation should have a better control over these institutions to whom grants were/are released and

should try to persuade them to furnish the certificates and information connected thereto without any undue delay.

77 5.26

Finance, Commerce, Home Affairs, Labour, Employment & Rehabilitation (Deptt. of Labour & Employment), Deptt. of Social Welfare, Transport and Aviation (Deptt. of Transport and Shipping).

The Committee would suggest that the Ministry of Finance in consultation with the C.&A.G. should devise a procedure which would not only help to clear the backlog of arrears pending with the different Ministries but will also expedite their timely disposal in future. They are, however, glad to note that the Ministry of Finance have taken initiative to tackle the situation and have taken certain measures in this connection. They would, however, like to point out that the position of arrears in regard to the Ministries referred to above is not very satisfactory and calls for immediate action for their disposal.

78 5.30

Deptt. of Civil Aviation.
Ministry of Works, Housing & Urban Development

During evidence, the Committee were informed that it was difficult to know about the savings before hand because the tempo of work increased during the months of October-March and the Department of Civil Aviation did not get up-to-date figures of expenditure from the C.P.W.D. on which reasonable estimates could be prepared. The Committee feel that both the Departments of Civil Aviation and Ministry of Works, Housing & Urban Development should consider the ways and means to get over this difficulty and evolve a procedure which would facilitate compilation of figures at a time which would facilitate surrender of anticipated savings well in advance.

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They also feel that there should be a better co-ordination between the different circles of the C.P.W.D. and the Department of

Civil Aviation in the maintenance of accounts, as also regular review of progress of expenditure by the Ministry every month, especially during the closing months of the financial year.

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Deputy of Food

The Committee do not feel convinced that the savings which had occurred under this head could not have been foreseen or that a more realistic assessment of the requirements was not possible. During 1963-64 the saving of more than 67% of the original provision of Rs. 42.96 lakhs had occurred and the reasons attributed were the same as those for the savings that occurred in 1964-65. The Committee also feel unhappy over the consistent shortfall in the implementation of subsidiary Food Schemes especially in view of the present food situation in the country and would desire the Department to take timely and special steps for full implementation of the Schemes at the earliest.

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They hope that the Ministry would exercise greater care and make use of their past experience in drawing up their estimate more realistically in future.

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Min. of Home Affairs

The Committee find that since 1962-63 when the open market purchase of parachutes was resorted to, the price for the same tended to fall year after year viz. from Rs. 134.50 in 1962-63 to Rs. 78.38 in 1964-65. From these figures the Committee are inclined to infer that there was enough local potential for the production of parachutes in the country and if the market had been correctly

tested prior to 1962-63 perhaps the Government could have saved a lot instead of depending on the supplies made by the Army authorities which were costlier. That the price of parachutes in the local market was falling due to competition was known to the Administration, because in 1962-63 itself the prices had fallen from Rs. 134.50 to Rs. 114.50 and during 1963-64 it had further fallen to Rs. 102.00. In the opinion of the Committee the prices and requirements of supply dropping equipment were not assessed realistically.

5-43

Do.

The Committee feel that the trend of falling prices was not taken due note of while preparing the budget as is evident from the fact that the saving in expenditure due to reduction in the cost of supply dropping equipment came to Rs. 20.81 lakhs.

81

5-48

Do.

The Committee are unhappy to find that the expending offices had failed to intimate to the Ministry in time about the probable savings as a result of which the amounts could not be surrendered by the Ministry during 1964-65. The Committee hope that the Ministry would look into the matter and find out to what extent the time taken by the expending offices was justified. The Ministry should further take immediate steps to issue instructions to all the expending offices to observe the rules strictly so that such irregularities may not occur in future.

82

5-54

Planning Commission

Ministry of Finance

The Committee feel concerned over the steady increase in expenditure on the Planning Commission. The Committee desire that the Staff Inspection Unit of the Finance Ministry should examine both the Administrative and Technical Wings of the Com-

mission to find out (i) whether any economy is possible in the staffing pattern especially after the finalisation of each Plan (ii) whether there is any duplication in the work done in the Commission and the Administrative Ministries and (iii) how far the scheme of officer oriented set up has added to the efficiency and resulted in economy.

83 5.57 Planning Commission

While the Committee appreciate the difficulties in formulating the Fourth Plan, they cannot help observing that the delay in the finalisation of the Plan has been too much and cannot be justified.

84 5.59

Do.

The Committee would like to be informed in due course of the result of the evaluation of the schemes of public cooperation undertaken by the Programme Evaluation Organisation.

5.60

Do.

In view of the fact that the Lok Karya Kshetras worked in cooperation with the Community Development Blocks and Panchayat Raj Organisations, the Committee suggest that the feasibility of transferring the work in connection with the schemes of public cooperation to the Ministry of Food, Agriculture, Community Development and Cooperation may be considered. This would help to achieve better coordination in the implementation of the various schemes of development and avoid any duplication of effort.

85 5.66

Min. of Finance

The Committee are sorry to note that the Security Paper Mills, Hoshangabad which was scheduled to be commissioned in the

middle of 1965 has not yet been complete². The case indicates lack of proper planning which is regrettable.

5.67

Do

The Committee hope that the revised schedule of commissioning the Mill according to which two of the four machines are expected to commence trial runs by March-April, 1967 and the other two machines by about June-July, 1967, will be adhered to.
